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Note: Tons are metric, dollars are U.S., and rice is on a milled basis unless specified otherwise.

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The International Economics Division's program of agricultural situation and outlook analysis and reporting includes the following regularly scheduled publications: *Foreign Agricultural Trade of the United States* published bimonthly; the *World Agricultural Outlook and Situation* and the *Outlook for U.S. Agricultural Exports* published quarterly; and *World Agriculture Regional Supplements*, a series of 11 reports, issued annually, covering China, East Asia, Eastern Europe, Latin America, Middle East and North Africa, North America and Oceania, South Asia, Southeast Asia, the Soviet Union, Sub-Saharan Africa, and Western Europe. Information on obtaining these publications is at the back of this report. The division also publishes the *Food Aid Needs and Availabilities* report and the *World Indices of Agricultural and Food Production*. For information on those publications, contact the International Economics Division, ERS/USDA, Rm. 348, 500 12th Street SW., Washington, D.C. 20250.

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Summary

World Economic Recovery Indicated

The beginning of a U.S. recovery, increased industrial production in the major economies, declining interest rates, and rising prices for international commodities help place world economic growth at a projected 1.8 percent for 1983, up from 0.5 last year.

Oil prices appear firm for the remainder of the year, and they may rise as economic recovery strengthens demand. World fertilizer consumption remains largely unchanged for 1983, but may decline slightly. The value of the U.S. dollar could ease slightly in most foreign exchange markets in coming months. U.S. agricultural exports fell to $18.1 billion in the first half of fiscal 1983, 17 percent below a year earlier, and are forecast to total $35.5 billion for the year. Export volume will also be down.

USDA's payment-in-kind (PIK) program will remove unprecedented acreage from production this year, and it has already strengthened crop prices. U.S. coarse grain production may fall 26 percent, which, combined with record global use, could reduce world stocks substantially. World trade of coarse grains may total 88 to 100 million tons, with the U.S. market share growing. World food grain supplies are forecast up 5 percent in 1982/83, with increased production and stocks of wheat. Rice production in 1983/84 may rise slightly, helping to push food grain supplies up 1 percent.

World oilseed production for 1983/84 is forecast at 178 million tons, 2 percent below this year, primarily reflecting prospects for reduced U.S. output. Expansion of soymeal use will depend on the rate of economic recovery.

Global meat production is forecast to rise slightly in 1983, with pork and poultry increasing and beef and veal remaining near 1982's output. Production of milk and dairy products continues to expand rapidly, adding to surplus stock problems in the United States, the European Community (EC), and Oceania.

World sugar production in 1982/83 will again exceed consumption, pushing stocks to a record 42.5 million tons. Reduced production in 1983/84 could match consumption if demand rises with improved economic conditions.

Coffee production in 1982/83 is forecast down 17 percent to 81.2 million bags, but will likely increase next year as Brazilian output rebounds. Cocoa bean production in 1982/83 may fall 9 percent from the previous year. Cocoa prices have been firming in recent months, but they could ease next year if weather is good and output exceeds grindings.

World cotton production is estimated at 67.7 million bales this year, 4.5 percent below a year earlier. Output in 1983/84 may decline to 66.8 million bales because of the U.S. PIK program.

World Agricultural Situation

WORLD ECONOMIC CONDITIONS

Slow Recovery Underway

The start of a U.S. recovery, increased industrial production and greater business confidence in some of the major economies, declining interest rates, and rising commodity prices all indicate an improving world economy. Not all aspects of the world economy, however, are showing improvement. Business confidence in several major economies—particularly France and Japan—seems to be waning; protectionist pressures in industrialized nations remain strong; unemployment is still increasing in Europe; and budgetary and foreign exchange constraints continue to cause economic hardship in the developing countries.

Despite the uneven performances among and within the world's economies, 1983 will probably be the first of a series of years marked by real economic growth and relatively stable prices throughout the world—the notable exception being Latin America. The key to this outlook is a sustained recovery in the industrialized economies. The initial conditions for this recovery are in place: inventories are down, and stimulative policies—especially monetary policies—have been implemented. Increasing trade and credit flows should benefit the developing countries if the recovery now unfolding is sustained.

World economic growth in 1983 is projected at 1.8 percent, up from 0.5 percent in 1982. Growth in the indus-

Consumer expenditures

Country	1977-79	1980	1981	1982[1]
	Percent change in real terms			
Canada	2.6	1.8	1.3	−3.8
France	3.8	1.7	1.7	1.4
Germany	3.6	1.7	−1.2	−2.4
Italy	3.5	4.3	.2	1.5
Japan	4.8	.7	.1	3.6
United Kingdom	3.3	−1.8	−.9	0
Weighted average	3.9	1.2	0	.7

[1]ERS estimate.

Source: IMF.

World commodity price indexes

Commodity	1982 I	1982 II	1982 III	1982 IV	1983 I
			1980 = 100		
All commodities	85.7	87.3	78.6	78.3	80.7
Food	72.9	69.9	65.6	63.6	65.9
Beverages	84.3	77.0	75.3	82.0	81.4
Agricultural raw materials	79.5	80.0	78.2	74.0	77.6
Metals	84.3	77.0	75.7	75.4	78.7

trialized countries will likely average 1.7 percent. Economic activity in the developing world may average the same as in 1982, around 1.5 percent. A decline of 2.5 percent in Latin America will likely offset the more positive performances of Africa and Asia. Growth in those regions could average 3 percent and 5 percent, respectively. The centrally planned economies are expected to increase activity by 2.5 percent.

The Industrialized Economies

Several conditions are essential for sustained growth: a pickup in personal consumption, a decline in inflation-adjusted ("real") interest rates—especially long-term interest rates—and increased investments in plant and equipment. Through first-quarter 1983, there was only a faint hint that consumption was increasing and that real interest rates were falling. Investment in plant and equipment will probably not increase much until sometime in 1984. Consumption and investment will likely remain little changed until real interest rates decline further. Inventories could continue to be drawn down if consumption remains stagnant.

Slight Consumption Gains Likely

Increases in consumption in the foreign industrialized nations were modest in 1982 and are apt to be so in 1983. To compare 1982 with 1977-79, consumer expenditures adjusted for inflation for Canada, Japan, France, Germany, and the United Kingdom increased about 0.7 percent in 1982 on a weighted-average basis (weighted by relative incomes). During 1977-79, the yearly average was about 4 percent. Estimates for 1982 indicate that most of the above countries had either unchanged or negative growth in consumption.

The outlook for 1983 is slightly better for several reasons. First, unemployment rates in several countries may level or begin to decline as the recovery progresses. Thus, more people are likely to feel secure in their jobs and to spend more money. Second, declining interest rates may remove some of the incentive to save, rather than to spend. Third, because consumption has been so low during the last 3 years relative to the previous 3, many consumers have probably deferred buying items until economic conditions improve. This "pent-up demand" may break loose as the recovery proceeds.

Inflation, Interest Rates Likely Down

From a peak of 10.6 percent in 1980, inflation in consumer prices registered 5.5 percent in the first quarter of 1983—a 2.3-point drop since the first quarter of 1982. Although currency depreciations and indexed transfer payments in some countries, as well as increasing commodity prices, are exerting some inflationary pressure overseas, it will likely be slight and probably offset by some disinflationary factors. Weak labor markets could keep wage gains below the rate of inflation, and the appreciation of some currencies—perhaps the mark, the pound, and the yen—will help keep a lid on inflation. Thus, inflation will likely average 5 to 6 percent in the major industrialized countries.

Interest rates declined about the same amount as inflation over the last year, to 8.2 percent in first-quarter 1983, from 10.5 a year earlier. Hence, after averaging 3 percent in 1982, real interest rates are down slightly, to 2.7 percent in the first quarter of 1983. Even at this lower rate, however, real interest rates could hamper the recovery if consumption does not increase much. Real interest rates, which averaged -1 percent in the 1970's, will likely average 2 to 3 percent in 1983, a significant factor supporting the outlook for low investment and high unemployment through this year.

The Developing Countries

The prospects of growth in many developing countries (LDC's) appear somewhat better for the second half of 1983 and 1984 than for the past 2 years. Still, growth in the LDC's during 1983 will fall far short of the 6 percent averaged during the 1970's.

Export Prospects Improving

Growth in export earnings is the single most important determinant of overall economic activity in the LDC's. According to the World Bank, exports of goods and services account for 20 to 30 percent of output in the developing world. Thus, declining export prices and volumes over the last 2 years help explain why overall growth fell below 1.5 percent. The slight growth projected for 1983 is based principally on the expectation that increases in export earnings will be similarly slight. Also, in the face of slowly increasing export revenues and, in several notable cases, high debt-service obligations, LDC governments will continue to prune expenditures. Still, assuming that the recovery now emerging in the industrialized nations is sustained, export earnings and economic growth in the LDC's should gain some in 1983 and accelerate in 1984.

Prices for internationally traded commodities have already begun to increase, following 2 years of decline. From November 1982 to March 1983, the index of commodity prices published by the International Monetary

Fund (IMF) increased 5 percent. For many LDC's, prices for exports increased faster than prices for imports, thus easing their balance of payments. Prices for metals and agricultural raw materials—major export commodities for many LDC's—rose the fastest, by 8 percent. Prices for these and other commodities sensitive to business cycles will continue to rise as economic recovery progresses.

Export volumes for most LDC's will likely increase over the year, given the recent and expected expansion in industrialized production. After barely rising in 1980 and declining in 1981 and 1982, the volume of world trade at the end of 1982 was only at the 1979 level. However, volume is expected to increase 2 to 3 percent in 1983, with higher rates in the LDC's not belonging to the Organization of Petroleum Exporting Countries (OPEC). Since 1978, the rate of growth in the export volume of this group has been higher than the world average.

Detailed data are not available for 1982, so it is too early to know how badly the recession affected export volumes of the non-OPEC LDC's. Still, prospects for increases in 1983 seem good, especially for metals and agricultural raw materials, because underlying demand in the industrialized nations is rising and inventories of these raw materials seem to be low.

Import Costs To Rise Less

An increase in both export volumes and prices would probably boost purchasing power if, as is expected, export earnings rise faster than import costs. Import costs are apt to rise slowly for several reasons. First, petroleum prices, which constitute a high proportion of LDC imports, are already 15 percent lower than during 1982. While the oil exporters will suffer from this, lower petroleum costs will benefit the broad majority of LDC's. According to many analysts, petroleum prices are more likely to decline than to rise, and any increases for the next year or so will almost certainly be slight. Second, reduced inflation in the industrialized economies suggests that their export prices will increase more slowly. Those countries supplied 70 percent of all LDC imports in 1981. A third major factor that could limit import costs is that the dollar will probably ease in value over the course of 1983. An expected $20 to $30 billion deficit in U.S. exports of goods and services for 1983 is a major factor suggesting this decline.

A lower valued dollar, or one that appreciated less rapidly, would restrain import costs, particularly in Latin America. Against a basket of 15 Latin American currencies, the dollar appreciated 25 percent in 1981 and almost 50 percent in 1982. The dollar appreciations were hardest on Latin America, not only because they were so large, but also because Latin America received a higher percentage of its imports from the United States (33 percent in 1981) than did the developing countries as a whole (17 percent). In addition to goods exported by the United States, some goods—most notably, petroleum—exported by other countries are also priced in dollars. A decline in the dollar's value could aid a country if its imports priced in dollars were sizable.

Implications for U.S. Exports

The prospects for U.S. agricultural exports to the developing markets appear slightly better for 1983 than for 1982. In Asia and Africa, population increases and higher real economic growth will likely raise food, feed, and fiber imports. Some of this increased demand will likely be met by U.S. exports. Demand for agricultural products in Latin America, however, might increase more slowly, and because of foreign exchange constraints, demand for imported commodities, including U.S. products, could rise even more slowly still or decline. [*Art Morey (202) 447-8470*]

INPUTS AND FINANCE

Debt in the Non-OPEC LDC's

The external debt situation in many low- and middle-income countries has deteriorated enough over the past 18 months to hamper world trade and become a potential, although unlikely, source of international financial instability. The countries with serious problems resulting from increased debt or debt- service payments may be grouped into two categories: those borrowing more money at market interest rates and those experiencing a sudden drop in export earnings. The former generally consists of large, middle-income (or newly industrialized) countries with good credit records and ready access to commercial markets. The latter group includes lower income countries with export revenues dependent on a few price-sensitive primary (raw) products.

Rising Debt Costs Cut Imports

LDC's continue to use debt for two important functions. First, the funds provide the opportunity to undertake a variety of projects that further economic and social development. In most LDC's, little or no domestic resources are available for these purposes. Second, many lower income countries are subject to wide fluctuations in foreign exchange earnings, and occasional borrowing helps overcome temporary balance-of-payments shortfalls and stabilizes the external sector of the economy.

The ability of developing countries to maintain export earnings is of singular importance in considerations involving debt, regardless of its origin. Foreign currency must be earned to repay principal and interest. The greater the proportion of debt repayment to export earnings, the less money is available to purchase imports, most of which come from the developed world.

The growth of external debt in the late 1970's and early 1980's has led to a temporary bulge in the ratio of repayment to exports. This will almost certainly curtail imports and slow expansion of agricultural trade. Commercially purchased food and feedstuffs are generally low priority (or luxury) imports in the less developed world. In addition, many countries may institute incentives to stimulate domestic production. This has been successful in areas such as South Asia and, if significantly expanded, may continue to slow trade in agricultural goods for a considerable period.

Many LDC's are suffering from reduced export revenue, primarily the result of the prolonged recession in the developed world. Despite the fact that export volume remained virtually the same from 1981 to 1982, export prices of raw materials, metals, and other primary products (excluding petroleum) have dropped 14 percent since January 1982. As a result, the total value of exports by LDC's declined 5 percent in 1982, and that of imports by about 10 percent. Part of this difference is unquestionably due to debt-service payments, which have increased as a proportion of export revenue.

LDC debt, debt service, and U.S. agricultural exports

Country[1]	Debt/GNP 1979	Debt/GNP 1980	Debt/GNP 1981	Debt service/export earnings[2] 1979	Debt service/export earnings[2] 1980	Debt service/export earnings[2] 1981	Debt service/export earnings[2] 1982[3]	Change in U.S. exports[4] 1980	Change in U.S. exports[4] 1981	Change in U.S. exports[4] 1982
						Percent				
Mexico	28.7	24.0	23.5	71.2	37.6	44.5	45.2	106.1	35.9	−45.2
Venezuela	25.2	24.5	21.7	17.2	21.1	24.5	31.6	37.6	45.8	−16.9
Brazil	22.5	23.7	24.0	63.3	58.9	64.3	76.2	56.8	21.0	−31.6
Peru	49.9	42.2	37.0	31.3	41.1	61.4	95.0	126.1	73.5	−28.1
Chile	34.3	32.8	37.4	35.8	35.1	50.7	49.8	84.4	32.5	−27.3
Pakistan	38.1	34.8	29.5	20.4	18.2	15.5	17.7	−48.3	−35.2	109.6
Turkey	16.4	24.9	26.3	30.4	30.0	30.4	NA	1506.5	556.6	18.2
Ecuador	22.9	24.5	27.5	29.5	13.8	17.8	27.6	34.0	1.5	−18.6
Jamaica	49.1	54.8	54.6	16.4	14.2	23.5	21.5	6.5	40.0	−9.6
Costa Rica	33.2	35.5	76.4	22.9	16.6	14.1	41.3	69.3	−26.2	−25.5
Nicaragua	76.9	82.8	77.3	9.8	17.0	36.8	71.8	294.1	−22.6	−28.5
Liberia	49.5	53.1	57.9	13.4	6.4	6.5	15.1	38.2	−.3	−23.9
Zaire	61.5	67.7	74.2	9.3	16.3	13.4	48.8	60.7	−.7	−9.4
Argentina	11.9	10.2	16.2	21.2	25.0	31.4	61.0	74.8	−10.9	−52.2
Sudan	49.1	55.3	68.4	9.5	9.0	8.7	67.3	70.9	−1.1	−55.1
Togo	96.0	91.7	99.2	12.7	17.6	17.2	49.7	−39.1	244.9	−.4
Guyana	NA	NA	NA	NA	NA	NA	NA	19.0	17.3	−58.4
Senegal	28.3	29.7	42.0	22.9	37.9	19.7	32.6	114.9	204.7	−71.3
Bolivia	37.7	36.4	31.9	34.0	29.1	30.7	60.1	85.7	−43.8	−52.3
Madagascar	29.3	42.3	46.9	83.7	149.3	28.4	72.5	−10.2	40.2	−71.0
Malawi	41.1	43.5	42.1	19.5	22.9	31.1	55.9	—	—	—
Uganda	2.9	1.8	10.3	4.3	4.4	15.9	39.4	—	—	—
Total	38.8	40.5	44.5	27.1	28.9	27.7	47.6	65.9	32.9	−32.1
All LDC's	NA	NA	NA	19.4	17.8	20.3	23.8	37.0	20.7	−16.2

NA = not available.

— no commercial U.S. agricultural exports.

[1]Listed in descending order of value of U.S. agricultural exports in fiscal 1982, countries requesting debt rescheduling during 1981 through 1983. [2]Export earnings defined as the dollar value of goods and services. [3]Preliminary estimates: OECD, World Bank, IMF, USDA. [4]Change in the value of commercial U.S. agricultural exports from previous fiscal year.

Credit Sources Growing

For developing countries in general, debt falls into two major categories—loans from governments and international organizations, or from the private banking community. The former may take the shape of official development assistance (ODA) or export credits, which must be spent on specific projects or goods and services. Bank loans, on the other hand, may be used with considerable flexibility.

As the economies of developing countries grow, creditworthiness increases, and the appeal of newly found access to the private banking sector generally follows, despite higher interest rates. Furthermore, the strong conditions that are often attached to loans by governments or international organizations may go beyond the project or projects being financed (for example, funds for expanding port facilities would be provided subject to construction of a paved road). Such requirements may prove more expensive in time or resources than the increased interest charges of the commercial sector. The competition for subsidized international loans is often stronger than that for commercial credit. As a result, many of the fastest growing LDC's will look first to private capital markets. Much of the public perception of the growth of international debt in recent years stems from the willingness of low-income countries to explore and develop lines of credit in the private banking sector.

Banks Financing More

In 1974, commercial banks held approximately 25 percent of the total debt liabilities of the non-OPEC developing world. In 1981, the share had risen to 42 percent, with most of that coming in the years following the second round of OPEC price increases. By mid-1982, the proportion stood at 49 percent.

Bank loans affect debt service in two ways. First, since most bank credit is for a much shorter period than official or development loans, annual payments are higher. Second, because interest charges are not subsidized, they are generally greater. Most bank loans are denominated in dollars, and the interest rate is that available to other borrowers of U.S. currency. Most frequently, this is slightly above either the London Interbank Offered Rate (LIBOR) or the U.S. prime interest rate. Most of the interest payments on commercial loans to foreign governments vary directly with changes in either of the above rates.

For LDC's as a whole, increased participation by the international banking community has caused debt service to increase at a faster rate than debt. Between 1980 and 1982, debt increases averaged 14.8 percent annually, while debt service grew at 18 percent. Difficulties arise, however, if export earnings grow more slowly than payment requirements. In 1981, debt-service obligations rose 22 percent, while export earnings increased only 7.6 percent. Moreover, in 1982, when debt service rose 15 percent while export earnings fell 5 percent, the problem was clearly serious.

Latin America Seeks Help

Most of the increase in commercial lending and, indeed, most of the concern over the problem of interna-

tional debt rest with three countries—Mexico, Brazil, and Argentina. Together, they accounted for 60 percent of the increase in private loans to non-OPEC LDC's from 1980 to mid-1982. Each of the three has suffered sharp decreases in export revenues in the past year and has experienced the resulting difficulty in making debt-service payments. Of the 15 less developed countries asking for debt-service relief from the commercial sector during 1982 and 1983, 80 percent of the total debt owed to banks is that of Mexico, Brazil, and Argentina. Both Argentina and Brazil are now behind in their payments. Recognizing the severity of the situation, each of the three countries has asked for help in alleviating current difficulties.

Debt-service relief will probably take the form of consolidation (adding all amounts owed, including arrearages) plus rescheduling (drawing out the payments over a longer number of years). Of the 15 countries that have applied for commercial loan rescheduling, 9 are in Latin America (Nicaragua, Guyana, Ecuador, Argentina, Brazil, Chile, Costa Rica, Mexico, and Cuba), 5 are in Africa (Senegal, Liberia, Malawi, Madagascar, and Togo), and 1 is in the Middle East (Turkey). Ninety-five percent of the total to be rescheduled is owed by Latin America.

IMF Role Expanding

The IMF—with membership including virtually all of the non-centrally planned world (plus China, Romania, Hungary, and Yugoslavia)—is often considered a source of last resort for temporary payment problems. Its charter provides for loans to cover transitory balance-of-payments deficits or emergencies (such as finance problems associated with natural disasters, as in the case of the earthquake in North Yemen). When imports are critical to the continued growth and development of a particular country and export earnings must pay debt-service obligations, the IMF may step in to alleviate a crisis.

In providing short-term liquidity, however, the IMF may exact many concessions or guarantees to ensure all obligations are met. These may include requiring government policies that will reduce inflation or provide a stable base for continued economic growth. Such financing is temporary and limited, and the more frequent or larger the appeal to the IMF, generally the greater will be its restrictions on the debtor country. Recent problems with debt have led the IMF to take a greater role as an intermediary between debtor and creditor, especially in some of the more severe cases.

Economic Recovery Lifts Outlook

Developing countries will continue to borrow to finance further economic growth. This approach has been greatly successful, as income growth even in the present economic climate has persisted at a much faster pace in the LDC's than in the developed world. Banks will almost certainly support larger and larger proportions of the total debt, as the growth in public funds available for development continues to slow and countries are better able to meet external obligations.

The economic recovery now beginning in the West should relieve most debt-induced constraints on the LDC's. Along with an increase in demand for all exported goods, declining prices should begin to stabilize, if not rise, for many particularly depressed products. Examples include phosphate, bauxite, iron ore, copper, and sugar, which have been sorely affected by the drop in industrial output in the developed world. In addition, lower interest rates in 1983 mean less burdensome repayments. A 1-point drop in the U.S. prime rate saves Mexico, alone, $600 million a year.

Debt-service problems, particularly in Latin America, will probably persist through 1984. The sharp jump in commercial financing has produced a temporary bulge in repayment obligations as a percentage of export earnings. Until this burden has been reduced, those countries most severely affected—particularly Mexico and Brazil—will find themselves on a path of slower economic growth. However, these two nations have shown rapid growth in the past and possess strong, diverse economic bases—two attributes that will help pull them through the crisis. [*David Stallings (202) 447-8054*]

Exchange Rates

U.S. Dollar Remains Strong

The U.S. dollar over the past 2 months has become relatively stable in foreign exchange markets. Its value per unit consistently hovered around 235 yen and crept slowly toward 2.5 marks, with very little day-to-day movement. Since most foreign exchange traders expected the imminent decline of U.S. currency, this recent episode yielded new-found respect for the dollar's apparent strength. Only the British pound has given traders in foreign exchange markets any reason for enthusiasm—the result of the firm establishment of a floor price for petroleum.. Signs are now appearing, however, that point to other major currencies following the sterling's upward movement against the U.S. dollar.

Continued faith in the U.S. dollar followed from the conviction of many that the economic recovery in the United States will prove substantial, if not robust. The New York Stock Exchange, with an impressive 8-month rally, heralded the United States as the place to invest. The bull market on Wall Street certainly attracted foreign investors and, perhaps, even currency speculators

Foreign currency units per U.S. dollar

Year	Mark	Yen	Pound	Guilder	C. Dollar
1979	1.833	219.2	.4713	2.006	1.171
1980	1.818	226.4	.4299	1.987	1.169
1981	2.257	220.2	.4983	2.492	1.198
1982	2.427	248.8	.5722	2.669	1.233
Jan.	2.293	224.7	.5300	2.513	1.192
Feb.	2.365	235.1	.5410	2.593	1.214
Mar.	2.379	241.1	.5536	2.617	1.220
Apr.	2.395	243.9	.5638	2.658	1.225
May	2.312	237.0	.5521	2.568	1.233
June	2.427	251.2	.5685	2.680	1.275
July	2.464	255.0	.5760	2.719	1.268
Aug.	2.477	258.7	.5791	2.723	1.244
Sept.	2.504	263.0	.5837	2.740	1.234
Oct.	2.531	271.3	.5890	2.759	1.229
Nov.	2.553	264.0	.6119	2.786	1.226
Dec.	2.419	241.0	.6180	2.671	1.238
1983					
Jan.	2.389	232.5	.6341	2.628	1.228
Feb.	2.428	236.1	.6525	2.676	1.227
Mar.	2.408	238.0	.6706	2.681	1.226
Apr.	2.439	237.6	.6505	2.747	1.232
May[1]	2.44	233.0	.645	2.72	1.23

[1]Preliminary.

tired of a relatively lifeless foreign exchange market. As people purchase stock or other types of investment in the United States, the demand for dollars increases.

Interest rates payable on short-term dollar deposits in Europe and the United States remained stable over the past quarter, especially compared with the last 2-1/2 years. Relative to the rate of return on other currencies, the U.S. dollar is still an attractive instrument for short-term deposits. Such accounts are widely held for speculative purposes, with the most desirable currency being the one promising the greatest inflation-adjusted rate of return. In this regard, only the British pound appears comparable to the U.S. dollar at the moment.

The British pound is in the midst of a surge from two major factors. First, sterling was sold extensively early in 1983 as the price of petroleum showed signs of falling to pre-1978 levels. Great Britain depends heavily on sales from the North Sea oil fields to earn foreign exchange; any threat to that source of revenue adversely affects the value of the pound. However, the price cut by British producers apparently wound up being very slight. Those who had sold British currency, expecting sharper price effects, were caught short. As a result, the pound has been bid back over the $1.50 level. The second supporting factor is the assumption that the Conservative Party government will win the national election in June. Conservative victories are generally viewed as favorable, at least in the short run, for most currencies.

The dollar should slowly lose its value against major European currencies (with the exception of the French franc) through the next few months. Signs of general economic recovery on the continent, declining interest rates on dollar deposits in Europe, and a realignment in the joint float of the currencies in the EC, will reverse the dollar's recent appreciation. While a realignment may come at any time, falling Eurodollar interest rates are already being noted. As the summer persists, the expected recovery in Western Europe should further erode the interest rate advantage now accorded the U.S. dollar.

The yen should continue to appreciate slowly against U.S. currency, a result of the trade imbalance between Japan and the United States. Any recovery in Western Europe, with a corresponding increased demand for imported goods and services, will also increase demand for Japanese currency. Overall, it is expected that the dollar will command between 210 to 220 yen by the end of 1983. [*David Stallings (202) 447-8054*]

Energy

Oil Prices Stabilized

The oil price stabilization agreement, which OPEC reached in London last March, appears to be holding with some help from non-OPEC oil exporters. The new OPEC benchmark price of $29 a barrel will likely hold for the remainder of this year. However, the slow economic recovery in the West may marginally increase oil demand later in the year and strengthen prices.

The agreement was reached by OPEC oil ministers on March 14, after 12 days of intensive bargaining against the background of 2 years of eroding prices, a strong likelihood of a price free fall early this year, and failed attempts to reach an agreement last December and again in January. In March, the organization finally agreed to cut the official price of crude from $34 to $29 a barrel and to establish a ceiling for combined OPEC output at 17.5 million barrels a day (just over a half of what it was producing at its peak in 1979). They also established production quotas for 12 of the cartel's 13 members, leaving Saudi Arabia as a "swing producer" to adjust its output as needed to support the new price.

World crude oil production[1]

Country	1981	1982	1983[2]
		Million barrels/day	
OPEC	22.7	18.8	16.5
USSR	11.8	12.0	12.0
USA	8.6	8.6	8.6
Mexico	2.3	2.7	2.7
Canada	1.3	1.2	1.2
North Sea[3]	2.3	2.6	2.6
China	2.0	2.0	2.0
Other	4.8	5.2	5.4
Total	55.8	53.1	51.0

[1]Excluding natural gas liquids. [2]Forecast. [3]Denmark, Norway, and United Kingdom.

Within a few days of the agreement, non-OPEC producers aligned their oil prices with the OPEC price. The OPEC members, on their part, seem to have kept their output below official ceilings, resisted the temptation of underselling each other, and made an effort to enlist the aid of other major producers, such as Mexico and the United Kingdom, in putting a floor under world oil prices. The Soviet Union has also tacitly cooperated.

As a result of these actions, the world oil market looks much firmer than at any time in the recent past, with spot-market prices firming at or near the official price. In the United States, after the federal tax increase of 5 cents a gallon went into effect on April 1, gasoline prices started to climb well above the tax increase, as oil companies sought to recoup heavy losses suffered since last summer, when a thinly disguised price war began.

The outlook for this year calls for strengthening crude oil demand as economic recovery continues and oil companies begin to restock their reserves in the fall. Average world oil production for the year, however, will likely be about 51 million barrels a day, compared with 53.1 million last year. The fall in production will be absorbed by OPEC, where output this year will average around 16.5 million barrels a day, compared with 18.8 million last year. If there is any increase in prices this year, it will likely be small. [*Francis Urban (202) 447-8106*]

Fertilizer

World fertilizer consumption remained almost unchanged in 1982, despite a 9-percent drop in the United States and a 30- to 40-percent decline in Brazil. Consumption for 1983 appears to be almost flat. U.S. consumption is expected to be off about 15 percent because of acreage reduction programs. Anticipated gains of 2 to 10 percent in almost all other areas of the world will be barely sufficient to offset the large U.S. drop.

Worldwide nitrogen consumption is expected to be up about 0.5 percent, compared with a 0.2-percent decline last year. Phosphate consumption is expected to be up 2 percent, compared with a 1.7-percent drop last year. Potash consumption will likely be almost unchanged for the second straight year.

Prices Down

Producer wholesale prices around the world reflect the stagnant fertilizer market, with prices of major products in almost all areas of the world down substantially. In the Middle East, anhydrous ammonia prices in late April 1983 were down 11 percent from a year earlier, to $172 to $190 a metric ton, f.o.b. Ammonia price declines were the greatest in Western Europe, down 24 percent from a year earlier. Urea prices dropped an average of 19 percent in Western Europe and 26 percent in the Middle East. Phosphoric acid prices were off 13 to 15 percent in Morocco and Tunisia, to $320 to $340 a ton, f.o.b. On the other hand, diammonium phosphate prices were up 5 percent at the U.S. Gulf, but they were down 14 percent in Tunisia. Triple superphosphate prices were also up at the U.S. Gulf—by 4 percent—but were down 12 percent in Tunisia and 26 percent in Morocco. Potash prices in late April were down in all areas of the world, from 15 percent in Vancouver to 25 percent in the USSR and Eastern Europe.

Long-Term Use To Rise

Longer term forecasts anticipate further increases in world fertilizer use, but growth rates will be substantially lower than in the 1970's. Between 1982 and 1987, nitrogen consumption is expected to increase about 19 percent, or less than 4 percent a year. For nitrogen, an annual increase of over 7 percent is expected in the developing countries, while the developed countries' use will likely rise less than 2 percent. Phosphate consumption is expected to grow at an average rate of just over 4 percent a year, with growth in the developing countries about 8 percent, and about 2 percent in the developed countries. Potash consumption is expected to grow about 4 percent a year, with the growth rate in the developing countries about 10 percent, and in the developed countries just under 4 percent. Fertilizer growth rates for the centrally planned countries are projected at about world averages.

Despite the more rapid growth rates for the developing countries, by 1987, fertilizer use in the developed countries will still substantially exceed that for the developing countries. Nitrogen use in the developed countries will be about two-thirds more than in the developing countries. Developed nations' phosphate use is expected to be nearly double that for the developing countries, and potash use will likely be more than triple.

Planned capacity expansion should be sufficient to supply fertilizer needs for the next 5 years, but may become tight thereafter. However, nitrogen capacity will increase less than 5 percent in North America, with a likely drop in the United States, while it will rise more than one-third in the developing countries and nearly 20 percent in the centrally planned economies. [*Ted Eichers (202) 447-7340*]

Agricultural Commodity Prices

Following two consecutive record grain harvests, reduced foreign demand, and a 150-percent buildup in domestic stocks, USDA launched a PIK program for several commodities to reduce stocks and bolster farm prices. Domestic crop prices—including those for soybeans, not a program crop—rose 5 to 20 percent in the 4 months since the January announcement.

Low Farm Prices Spur USDA Initiative

The PIK program was established against a backdrop of a serious and worsening problem of farm surpluses. Despite programs already in place to reduce production—an acreage reduction and paid land diversion program—and to increase disappearance—a 3-year blended credit export program—U.S. ending stocks of grains and soybeans in 1982/83 are expected to be nearly 3 billion bushels above a normal stocks-to-use ratio.

The burdensome stocks caused sharply lower commodity prices. In the fall, farm prices for wheat and corn were at 4-year lows. Prices for these commodities will average below target prices in 1982/83, depressing farm income and increasing Government outlays beyond budgetary expectations. Other crop prices were also down; soybeans hit a 6-1/2-year low, and rice and cotton were at nearly 4-year lows.

PIK To Lower Stocks, Increase Prices

PIK will take record acreage out of production in 1983—about a fifth for wheat and sorghum, over one-fourth for cotton and corn, and a third for rice. Associated with the production declines are significant drops in 1983/84 ending stocks—nearly two-thirds for rice and a third for cotton and corn. No change in stocks is expected for wheat. Soybeans, although not eligible for the PIK program, will lose acreage because they are doubled-cropped with wheat and because prospects for corn, a competing crop, are brighter. Soybean production is expected to fall 9 percent, and stocks 22 percent.

Since the PIK announcement in January, prices have responded favorably in anticipation of tighter supplies in 1983/84. During December-April, average monthly domestic prices for corn increased 20 percent; for cotton 12 percent; and for wheat, soybeans, and rice about 5 percent.

On April 21, USDA released a stocks report for wheat, corn, and soybeans. Although well above last year, U.S. stocks were below expectations. In the week following the report, prices for these crops rose 10 to 20 cents a bushel. Lower corn stocks imply higher feed use and residual categories than previously estimated. "Free" stocks should be adequate to meet use during the summer, but if this is not the case, the $3.15-a-bushel trigger price could be reached, releasing reserve stocks into the market.

Farm prices for wheat, corn, rice, and soybeans are expected to rise in 1983/84 and could approach or exceed 1981/82 levels. On average, prices are anticipated to increase, but there is concern that prices at harvest time will fall more than seasonally expected as PIK commodities become eligible to enter the market.

Export and Import Prices Increase

Wheat prices at Gulf ports rose to $175 a metric ton in May, matching year-ago levels for the first time this season. Canadian and Australian export prices for wheat also hovered around $175. Argentine export prices have been discounted about $25 a ton from world prices to assist the movement of this year's exceedingly large wheat crop. U.S. export prices for corn and soybeans also rose and are reflected in increased Rotterdam import prices.

Weak demand and prospects for another large sugar crop in 1982/83 are keeping world sugar prices at about 8

International commodity prices

Year	Wheat				Corn		Soybeans	Soyoil		Soymeal 44%	
	U.S. No. 2[1]	Argen-tina[2]	Canada No. 1[3]	Australia[4]	U.S. No. 2 yellow[5]	Argen-tina[2]	U.S. No. 3 yellow[5]	Decatur	Dutch[6]	Decatur	Hamburg[6]
	Dollars per ton										
1975	149	147	181	167	122	126	210	559	563	141	162
1976	134	128	149	147	115	114	223	414	438	179	203
1977	105	100	116	113	98	93	271	524	579	212	240
1978	131	126	134	119	105	102	259	565	607	189	226
1979	162	159	171	142	118	117	278	610	662	160	254
1980	176	203	192	175	129	159	272	522	598	217	271
1981	176	190	194	175	135	139	272	464	507	223	269
1982	161	166	165	160	110	109	233	404	447	197	233
Jan.	175	177	181	167	109	120	247	408	455	212	250
Feb.	173	180	172	165	115	114	244	404	454	194	247
Mar.	170	179	160	158	116	110	240	407	452	204	242
Apr.	171	179	162	158	120	112	250	430	483	210	250
May	168	176	168	159	120	112	254	453	510	212	248
June	152	164	157	158	110	108	241	427	472	203	231
July	152	160	163	154	113	119	241	420	463	199	223
Aug.	154	163	160	154	106	116	226	393	430	186	216
Sept.	155	161	160	159	102	105	214	383	427	178	216
Oct.	141	151	159	158	94	93	201	381	416	173	210
Nov.	157	149	163	162	106	98	220	384	403	193	224
Dec.	161	148	170	167	107	103	222	359	399	196	236
1983											
Jan.	166	148	167	167	109	104	225	364	397	199	239
Feb.	165	143	167	166	118	114	227	381	395	194	232
Mar.	167	141	170	169	124	123	228	391	374	197	228
Apr.	168	140	170	171	134	133	242	427	434	206	233

[1]Hard winter ordinary protein, f.o.b. Gulf ports. [2]F.o.b. Buenos Aires. [3]Western red spring 13.5% protein, in store Thunder Bay. [4]July-June crop year, standard white, f.o.b. selling price. [5]F.o.b. Gulf ports. [6]F.o.b. ex-mill.

cents a pound in 1983. On the other hand, U.S. import prices rose to over 21 cents a pound in January. The price included a duty of 2.81 cents a pound and exceeded the 20.73-cents-a-pound market stabilization price (MSP) for the first time since it became effective in October. Since January, prices have remained above the MSP. Import prices for coffee and cocoa beans are also up from earlier in the year but are still below a year earlier. Rubber prices in March were stronger than a year earlier.

Ocean Freight Rates Up

Freight rates for grain shipped from U.S. Gulf ports to Rotterdam increased to $8 a ton, up from $6 in the fall, but down from $18 in 1980. World seaborne trade—including grains and oilseeds, coal, and petroleum—continues to stagnate in 1983, resulting in a large overcapacity in the shipping industry. Therefore, freight rates are expected to stay low for several years until global economic activity stimulates a larger volume of trade. [*Bradley Karmen (202) 447-8879*]

U.S. AGRICULTURAL TRADE

October-March Exports Down 17 Percent

U.S. agricultural exports fell to $18.1 billion during the first 6 months of fiscal 1983 (October 1982-March 1983), 17 percent below a year earlier. Exports showed definite signs of improvement in the second quarter, however, averaging $3.1 billion a month, compared with $2.9 billion during October-December 1982. Export prices for feed grains averaged 10 to 15 percent above those at the beginning of the year, reflecting the announcement of the PIK program. Wheat and flour shipments picked up in January, and soybeans maintained their record pace. Nonetheless, a disappointing first half, coupled with expectations of a seasonally slower second half, is expected to push exports down to

U.S. agricultural export values[1]

Commodity	1980	1981	1982	1983[2]
	Billion dollars			
Grains and preparations	17.2	20.3	16.1	14.4
Wheat	6.3	7.7	7.4	6.1
Wheat flour	.2	.3	.2	.4
Rice	1.2	1.5	1.1	.8
Feed grains	9.1	10.4	7.0	6.8
Oilseeds and products	9.8	9.3	9.5	9.0
Soybean cake and meal	1.6	1.6	1.5	1.6
Soybeans	6.2	6.0	6.5	5.9
Soybean oil	.8	.5	.5	.5
Animais and products	3.8	4.1	4.1	3.9
Hides and skins	1.1	1.0	1.0	1.0
Red meats, incl. offals	.9	1.0	1.0	.7
Animal fats	.8	.8	.7	1.0
Poultry products	.5	.8	.6	.5
Dairy products	.2	.2	.4	.4
Fruits, vegetables, & nuts	3.0	3.6	3.4	2.7
Cotton, incl. linters	3.0	2.2	2.2	1.8
Tobacco	1.3	1.3	1.5	1.5
Feeds and fodders	1.1	1.1	1.0	1.1
Other	1.3	1.9	1.3	1.1
Total	40.5	43.8	39.1	35.5

[1]Fiscal year. [2]Forecast.

U.S. agricultural export volume[1]

Commodity	1980	1981	1982	1983[2]
		Million tons		
Wheat	36.1	42.2	44.6	38.0
Wheat flour	.9	.9	.9	1.5
Feed grains	71.2	69.0	57.9	55.7
Rice	3.0	3.2	2.9	2.2
Feeds and fodders	6.2	5.8	6.0	6.5
Soybeans	23.8	20.0	25.5	25.3
Soybean meal	7.2	6.1	6.3	7.3
Other oilcake and meal	.4	.4	.3	.3
Soybean oil	1.2	.7	.9	1.0
Other vegetable oils	.6	.9	.7	.7
Sunflowerseed	1.9	1.4	1.5	1.4
Cotton, including linters	2.0	1.3	1.6	1.2
Tobacco	.3	.3	.3	.3
Fruits, vegetables, & nuts	3.7	4.2	3.9	3.2
Beef, pork, & variety meats	.4	.4	.4	.4
Poultry meat	.3	.4	.3	.3
Animal fats	1.6	1.5	1.5	1.4
Other	3.1	3.6	2.6	2.3
Total	163.9	162.3	158.1	149.0

[1]Fiscal year, actual export tonnages. Excludes animal numbers and some commodities reported in cases, pieces, dozens, liquid measures, etc. [2]Forecast.

$35.5 billion for fiscal 1983. Export volume will likely fall 6 percent, marking the third consecutive year of decline.

Soybean and Product Exports Rise

A disappointing South American harvest in 1982 and a competitive price relationship with corn in the EC have benefited U.S. exports of soybeans and soybean meal. Record movements of soybeans and soybean meal combined, at 25.3 and 7.3 million tons, respectively, are projected for fiscal 1983. Japan, the largest U.S. soybean market, is importing U.S. beans at a pace 14 percent ahead of last year. Japanese purchases may exceed fiscal 1982's record 4.3 million tons. Developing markets in East and Southeast Asia—particularly Taiwan and Korea—are becoming large foreign markets for U.S. soybeans, buying 2 million tons in fiscal 1982. This growth reflects feeding more protein in these countries, particularly in the fast-growing poultry industries. While Taiwan absorbs roughly half of this total, Korean imports have grown faster than Taiwan's over the last 5 years. Western Europe, however, continues to absorb the bulk of U.S. soybeans and soybean meal combined.

Mexico has resumed buying significant amounts of U.S. soybeans and meal after a disappointing fall harvest. These purchases were facilitated by a $1.5 billion credit arrangement between the U.S. Commodity Credit Corporation (CCC) and the Mexican food import agency. The arrangement also included feed grains and dairy products.

Exports of soybean oil through March, at 426,000 tons, were 8 percent ahead of a year earlier. This increase was primarily due to CCC-credit sales to Yugoslavia and Mexico and P.L.-480 shipments to Bangladesh. (In fiscal 1982, over 40 percent of all soybean oil sales were a result of CCC credit and P.L.-480 relief shipments.) Pakistan remains the largest customer to date, and total U.S. shipments for the year are expected to reach 1 million tons.

Feed Grain Exports Decline

Overall movement of U.S. feed grains has slipped only marginally below last year's pace, even though Europe and the Soviet Union have reduced purchases by a third during the past 6 months. Foreign exchange and credit constraints are limiting sales to Eastern Europe, while the Soviets have reduced feed grain imports and shifted to other suppliers. Meanwhile, Western Europe is feeding more protein. However, corn exports to East and Southeast Asia, and Latin America have expanded, and Mexico is buying more grain sorghum. The net effect for feed grain exports in fiscal 1983 is expected to be a slight decline to 55.7 million tons.

Wheat and Rice Exports Fall Sharply

Exports of food grains (wheat and rice) have fallen sharply since fall 1982. Wheat shipments in the first half of 1983 were 17 percent below a year ago, and rice shipments are down 36 percent. Canada has been a particularly aggressive competitor for wheat exports, following record harvests in 1981 and 1982. Argentina also has made gains in the world wheat market, along with France. In an effort to maintain its market share, the United States arranged to sell 1 million tons of wheat flour to Egypt, normally the fourth largest market for U.S. wheat and products. U.S. wheat exports to India, Morocco, Iraq, and Bangladesh have been up dramatically from last year; however, shipments to China, the USSR, and most other markets have declined. Prospective wheat exports for fiscal 1983 total 39.5 million tons, following a record 45.5 million in 1982.

Rice exports could fall to their lowest volume in 7 years, again with the U.S. market share declining. Exports for the fiscal year could fall to 2.2 million tons, with reduced shipments to Italy, Nigeria, Iran, and Switzerland causing most of this decline.

Cotton and Animal Products Off

Optimism over news of USSR cotton purchases in March was short lived, when a good portion of the sale was canceled shortly after. Export prospects remain dim, with shipments of raw cotton expected to fall a fourth to 1.1 million tons. Through March, cotton shipments were more than a third below last year. All the major markets—Japan, South Korea, China, and Taiwan—have reduced their imports of U.S. cotton. China, the largest market in fiscal 1981, cut imports to negligible amounts following three successive bumper harvests.

Exports of dairy, livestock, and poultry products totaled $1.9 billion in the first 6 months of fiscal 1983. This was down 13 percent from a year earlier and generally reflected lower prices as well as lower volumes. Beef, variety meats, and whole cattle hides were among the few bright spots in the export picture. Exports of inedible tallow continued to fall, along with poultry meat. For the year, animal product exports may decline 5 percent to $3.9 billion. [*Steve Milmoe (202) 447-8054*]

WORLD COMMODITY DEVELOPMENTS

Food Grains

World supplies of food grains in 1982/83 are forecast to rise 5 percent from a year earlier because of increased

Wheat: World production, consumption, and net exports[1]

Country	1981/82 Prod.	Cons.	Net exports	1982/83 Prod.	Cons.	Net exports	1983/84[2] Prod.	Cons.	Net exports
					Million tons				
Major exporters									
United States	76.2	23.2	49.0	76.4	24.6	41.3	64.0	26.1	37.9
Canada	24.8	5.2	17.8	27.6	5.2	21.0	26.5	0	21.5
Australia	16.3	3.3	11.0	8.7	3.6	7.5	17.0	3.4	11.0
EC-10	54.4	44.6	10.9	59.6	44.6	11.8	60.7	45.5	11.5
Argentina	8.1	4.2	4.3	14.5	4.2	8.5	11.5	4.3	6.5
Turkey	13.2	13.4	−.4	13.8	14.0	.5	13.0	14.4	.1
Major importers									
USSR	80.0	99.0	−19.0	86.0	106.5	−20.5	90.0	99.5	−18.5
China	59.6	72.8	−13.2	68.4	81.4	−13.0	71.0	83.0	−12.0
Eastern Europe	30.5	35.3	−4.3	33.9	35.2	−1.9	33.1	35.3	−2.0
Other W. Europe	6.5	8.8	−1.4	8.4	9.2	−.1	8.3	9.0	−.4
Brazil	2.2	6.3	−4.5	1.8	6.3	−4.1	2.0	5.9	−3.9
Mexico	3.1	4.0	−.9	4.2	4.3	−.1	3.2	4.2	−.9
Other Latin Am.	1.5	7.6	−6.1	1.3	7.7	−6.2	1.6	7.9	−6.4
Japan	.6	6.1	−5.4	.7	6.0	−5.4	.7	6.0	−5.3
India	36.3	36.3	−2.2	37.8	38.0	−3.9	39.5	41.7	−2.5
South Korea	.1	2.0	−2.0	.1	2.1	−2.1	.1	2.2	−2.1
Indonesia	0	1.4	−1.4	0	1.5	−1.5	0	1.6	−1.6
Other Asia	16.7	22.9	−6.7	16.9	24.1	−7.5	17.4	24.3	−7.0
Egypt	1.9	7.7	−5.8	2.0	7.9	−6.0	2.0	8.0	−6.1
Morocco	.9	3.2	−2.2	2.2	4.0	−1.8	2.0	3.9	−1.9
Other N. Africa/ Mideast	12.0	22.6	−10.2	11.2	23.5	−12.4	11.7	24.2	−12.7
Other Africa	3.3	6.7	−4.0	3.3	6.7	−3.5	2.4	6.9	−3.9
Residual	.4	4.2	−3.3	.5	5.0	−.6	.2	5.1	−1.3
World	448.6	440.8		479.3	465.6		477.9	462.4	

[1]Trade on July-June years. [2]Forecast.

wheat production and stocks. World consumption may be below production, causing a rise in ending stocks. World trade may remain about the same. Early projections for 1983/84 have supplies rising only 1 percent, as beginning stocks will likely be up. Rice production may rise slightly, but no growth is foreseen for wheat. With consumption remaining below output, ending stocks will likely rise—all in wheat—and world trade is expected to fall slightly from last year.

Wheat Supplies Up, Trade Stagnant

The world wheat situation in 1983/84 is expected to resemble that of the previous year. In both years, world production will exceed consumption, causing ending stocks to increase 14 to 15 million tons each year. In 1982/83, stocks increased mostly in the United States but did not increase in the USSR; just the opposite is forecast for 1983/84. With increased supplies and stagnant use, global stocks could grow to 24 percent of use, which has occurred only once since 1970. Near-record global stocks and continued aggressive marketing by major exporters will likely keep prices from rising much in 1983/84.

Because of burdensome domestic wheat supplies and low prices, farmer participation in the U.S. acreage reduction programs will be large. Thus, production in the United States is expected to be down one-sixth from last year. Since the January announcement of the PIK program, domestic prices have risen more than 5 percent, in contrast to expected seasonal declines in anticipation of the harvest. In mid-May, prices declined somewhat as the forecast of the 1983 harvest was revised upward.

Most regions in the Northern Hemisphere, where winter harvesting has begun and spring crops are being sown, will likely have good wheat crops. Increased harvested area in Eastern and Western Europe could lead to record production. Other major producers—China, India, and Pakistan—are also expected to have records. The USSR could have its fifth disappointing wheat crop because of reduced winter sowings, but it will likely be higher than the output of the 2 previous years. In the Southern Hemisphere, the South African crop could be one-third below last year's output because of poor soil moisture, and Turkish output might fall slightly from last year's record.

Wheat production in the major foreign exporters—Canada, the EC, Argentina, and Australia—is anticipated to increase about 5 million tons in 1983/84. The EC crop is forecast to be slightly above last year, and Australia's crop will likely about double last year's drought-reduced output. However, Canadian output may be down slightly, and Argentina's crop could be several million tons below last year's enormous crop.

Trade in 1983/84 will likely be several million tons below this year. Reductions in wheat imports are anticipated for the USSR, China, India, and Bangladesh. Moreover, with competitors' supplies up, their combined exports could reach a record, pushing the U.S. share of the export market below 40 percent for the first time since 1971/72. Importers can expect another year of aggressive export competition, translating into a buyer's market characterized by price and credit concessions.

Rice Trade Continues Depressed

World rice output in 1982/83 is expected to be a record. Use has continued to grow, despite the consumption decline in India, and ending stocks are decreasing. However, with import demand depressed because of good

Rice: World production, consumption, and net exports[1]

Country	1981/82 Prod.	1981/82 Cons.	1981/82 Net exports	1982/83 Prod.	1982/83 Cons.	1982/83 Net exports	1983/84[2] Prod.	1983/84[2] Cons.	1983/84[2] Net exports
					Million tons				
Major exporters									
United States	6.0	2.2	2.5	5.0	2.3	2.3	3.4	2.4	2.3
Thailand	12.4	8.6	3.6	11.4	8.6	3.5			
Pakistan	3.4	2.2	.8	3.4	2.3	1.2			
China	97.9	97.6	.3	109.6	108.7	.9			
India	53.6	54.4	.6	45.0	46.8	.2			
Burma	8.5	7.8	.7	8.8	8.0	.8			
Japan	9.3	10.3	.3	9.3	10.6	.4			
Italy	.6	.3	.1	.6	.3	.4			
Australia	.6	.1	.5	.3	.1	.4			
Major importers									
Indonesia	22.3	22.3	−.3	23.2	24.0	−2.0			
South Korea	5.1	5.5	−.2	5.2	5.5	−.2			
Bangladesh	13.6	14.1	−.4	14.2	14.6	−.2			
Vietnam	8.2	8.3	−.1	9.0	9.0	0			
Other Asia	16.6	16.9	−.7	16.3	17.0	0			
USSR	1.6	2.3	−.7	1.6	2.0	−.5			
Brazil	6.2	6.4	−.1	5.9	6.5	−.4			
Other Latin Am.	4.7	4.5	+.2	4.7	4.7	+.1			
Iran	.9	1.4	−.5	.7	1.4	−.7			
Other N. Africa/ Mideast	1.9	3.4	−1.5	2.0	3.7	−1.7			
Malagasy	1.3	1.6	−.4	1.3	1.6	−.3			
Nigeria	.7	1.4	−.6	.9	1.5	−.6			
Other Africa	1.7	3.3	−1.8	1.7	3.5	−2.0			
Residual	.6	3.2	−2.3	.6	2.8	−1.6			
World	277.7	278.1		280.7	285.5		285.3	287.8	

[1]Trade on calendar years; calendar 1982 corresponds to 1981/82. [2]Forecast.

crops and stocks in most major markets, trade and prices have fallen, and U.S. sales have dropped sharply.

World production of milled rice totaled 281 million tons. The forecast for Chinese output has been boosted to 110 million tons, 12 million above the previous record. This gain more than offsets the poor Indian crop. Total use is now expected to be up almost 3 percent.

World trade this marketing year is forecast to fall, because imports by the EC, South Korea, and Indonesia are down. Total sales to Nigeria and markets in the Middle East are about the same as last year. In calendar 1982, world trade fell to 11.6 million tons because of smaller imports by South Korea and Indonesia. In 1983, rice trade will likely rise to 12.8 million tons, as Indonesian imports jump to 2 million. However, early indications are that world trade in 1984 will fall back to around 12 million tons.

U.S. exports have taken the brunt of the decline this marketing year; sales and shipments are down to most markets. Domestic policy changes regarding the EC's "inward processing scheme," South Korean hesitation to fulfill its earlier purchase commitment, and Thai price competition in Nigeria all contributed to the drop.

In 1983/84, world production will likely rise almost 2 percent, even with a one-third reduction in U.S. output. Ending stocks could fall 60 percent in the United States and may decline somewhat in the rest of the world. [*Bradley Karmen (202) 447-8879 and Eileen Manfredi (202) 447-8912*]

Coarse Grains

The anticipated 26-percent cut in the U.S. coarse grain crop will significantly reduce world production in 1983/84. As the global economy improves, use may reach a record high, and world trade is expected to recover somewhat from 1982/83's depressed volume. Global stocks will decline substantially.

Foreign Production May Set Record

Early-season growing conditions have been generally favorable for coarse grains outside the United States. Thus, foreign production is forecast to exceed trend levels, perhaps reaching 555 million tons. On the other hand, the PIK program will reduce U.S. corn and sorghum area significantly.

The Soviets have announced intentions to increase plantings of spring barley and corn because of a shortfall in winter sown area and an early spring. Thus, the 1983 Soviet coarse grain harvest is forecast at 100 million tons, well above recent outturns.

Production may decline in Western Europe, mainly because of lower planted area. In Eastern Europe, yields are unlikely to match 1982's performance, and output is expected to fall 5 to 10 percent. With improved yields, China's coarse grain harvest may increase again this year.

Canadian coarse grain production is forecast down 12 to 14 percent. Area is being switched from barley into rapeseed and wheat. For other major competitors, harvests are forecast to recover in 1983/84.

Growth in Use To Accelerate

With projected near-record supplies and economic recovery, world coarse grain use is projected to increase in 1983/84. Foreign disappearance could rise about 6 percent. Foreign feed use, which is increasing about 1

Coarse grains: World production, consumption, and net exports[1]

Country	1981/82 Prod.	1981/82 Cons.	1981/82 Net exports	1982/83 Prod.	1982/83 Cons.	1982/83 Net exports	1983/84[2] Prod.	1983/84[2] Cons.	1983/84[2] Net exports
					Million tons				
Major exporters									
United States	249.0	154.2	61.1	255.5	163.0	52.4	188.8	163.2	58.7
Canada	26.0	18.3	6.8	26.6	18.3	5.6	23.2	18.9	5.8
Australia	6.7	4.0	3.4	3.8	2.9	1.2	6.3	3.1	2.2
Argentina	18.4	6.6	13.6	16.6	6.6	10.8	17.6	6.7	11.0
Thailand	4.5	1.2	3.2	3.7	1.2	2.5	4.4	1.4	2.8
South Africa	8.8	8.3	4.8	4.8	7.4	3.3	12.2	8.0	−1.0
Major importers									
USSR	72.0	97.5	−25.6	82.5	94.5	−12.0	100.0	112.0	−15.0
China	80.8	82.1	−1.3	83.0	85.5	−2.5	86.0	89.0	−3.0
Eastern Europe	62.0	67.7	−5.9	70.3	72.7	−2.3	64.7	69.5	−3.4
EC-10	67.8	73.8	−4.9	70.9	74.1	−2.0	68.5	73.1	−1.0
Other W. Europe	20.0	32.0	−12.0	21.8	31.2	−9.3	22.5	33.0	−9.9
Brazil	23.4	22.8	−.1	23.6	22.6	+.9	24.3	23.7	+1.0
Mexico	16.9	21.0	−2.1	11.1	19.6	−5.3	14.9	20.1	−5.0
Venezuela	.8	2.5	−1.7	.8	2.4	−1.4	.9	2.4	−1.5
Other Latin Am.	7.8	10.1	−2.1	7.8	10.5	−2.6	8.9	12.8	−3.9
Japan	.4	19.1	−18.3	.4	18.8	−18.3	.4	19.1	−18.6
Taiwan	.1	3.9	−3.7	.1	4.1	−4.0	.1	4.3	−4.1
South Korea	.9	4.2	−2.7	.9	4.5	−3.8	.9	4.7	−3.8
Other Asia	44.8	46.7	−1.9	41.6	44.3	−2.4	44.4	46.8	−2.3
Egypt	4.0	5.0	−1.2	3.8	5.2	−1.4	4.1	5.3	−1.5
Iran	1.2	2.1	−1.1	1.2	2.4	−1.2	1.2	2.3	−1.2
Israel	—	1.2	−1.2	—	1.3	−1.2	—	1.3	−1.3
Other N. Africa/ Mideast	17.4	21.0	−5.8	18.3	22.8	−4.4	18.6	23.4	−4.8
Other Africa	30.7	32.4	−1.9	28.4	30.9	−1.6	31.2	33.2	−1.7
Residual	.6	−4.7	+.6	4.0	−3.0	−1.0	−.4	.1	+1.5
World	765.0	733.0		781.5	743.8		743.7	777.4	

— = negligible.

[1]Production and consumption on marketing year basis, trade on July-June year. [2]Forecast.

percent this year, may advance 5 percent in 1983/84. Consumer incomes are expected to improve during 1983, and the livestock sector should respond with expanded output by 1984.

In the foreign developed countries, feed use of coarse grains is down about 2 percent this year, but a 2-percent rise is foreseen for 1983/84. In the EC, feed use is declining slightly because of weak demand for meat and abundant wheat supplies. Furthermore, the EC has proposed measures to encourage the additional feeding of wheat in 1983/84. Thus, coarse grain use is forecast down 1 percent. In Spain, livestock feeding dropped off in late 1982 because of depressed demand, but recovery is likely in 1983. Canadian use continues to increase slowly. Japan's rice disposal program put an estimated 850,000 tons of rice into livestock feed in 1982/83, preventing growth in feed use of coarse grains. In 1983/84, less rice will be used for feed.

Despite improved domestic production, coarse grain use in the USSR is remaining constant in 1982/83, because imports have favored wheat. However, Soviet use may increase next year. In Eastern Europe, next year's disappearance probably will not match 1982/83. Livestock numbers have been brought down, and financial constraints will continue to limit imports. China's coarse grain use is likely to hit a record in 1982/83 because of expanded production and imports, and additional growth is forecast for next year.

Coarse grain use in the developing countries, of which three-fifths is for food, may decline in 1982/83 because of production shortfalls in several areas. Use is expected to recover next year, with feed use up 4 percent, compared with an estimated 1.6-percent rise in 1982/83. The greatest expansion is anticipated in East Asia, North Africa, and the Middle East.

World Trade To Rise

World coarse grain trade shrank substantially in 1982/83 (July-June) and is estimated at 88 million tons for the year, the lowest volume since 1977/78. Soviet imports are estimated at 12 million tons, down from 26 million, and Eastern Europe and the developed countries have reduced their imports.

In 1983/84, world trade may total 88 to 100 million tons, depending on crop developments and demand growth. The U.S. market share is expected to improve because of reduced competitor supplies.

Developed countries' imports may increase from 36.6 million tons to 39 million in 1983/84. Because of its disastrous crop shortfall, South Africa will import about 2 million tons of corn and possibly some sorghum. However, Western Europe's imports will probably remain depressed. Japan's imports are forecast to rise less than 2 percent.

The imports of the developing countries will likely continue to increase. Gains are projected for Africa, the Middle East, South Korea, and Taiwan. Mexico may import about 5 million tons of coarse grains again in 1983/84 because additional CCC export-credit sales are anticipated.

The outlook for imports of the centrally planned countries is highly uncertain. China's corn imports are projected to reach 3 million tons. If harvests decline in

1983, Eastern Europe may import more coarse grains than it did this year—when purchases were the lowest in over a decade. Despite the prospects for improved production, USSR imports could be somewhat above 1982/83's reduced shipments.

The exports of major U.S. competitors may decline in 1983/84. South African exports will be very low, and Australia will have little to export until the barley crop is harvested in December. Therefore, U.S. exports may recover from this year's depressed level.

Global Stocks Will Fall

USDA acreage reduction programs plus increased use could reduce U.S. coarse grain stocks by 35 million tons. Thus, world stocks are expected to decrease a fifth in 1983/84. Foreign stocks may increase somewhat.

Coarse grain prices have strengthened considerably this spring. The U.S. corn price (f.o.b. Gulf) increased 39 percent between October 1982 and April 1983. Additional price gains are anticipated through 1983 and 1984. [*Sally Breedlove Byrne (202) 447-8857*]

Oilseeds

World oilseed production is forecast to decline 2 percent in 1983/84, primarily because of the expected drop in U.S. planted acreage. U.S. oilseed production will likely be down 7 million tons. Expansion of U.S. soybean exports will depend on the rate of foreign economic recovery and the relative prices for grains and oilseeds. The United States may face strong competition in early 1983/84 because of Brazil's large crop and larger net export supplies.

1982/83 Output Up; May Fall in 1983/84

World oilseed production for 1982/83 is estimated at 181.4 million metric tons, 6.7 percent above a year earlier. Brazil's soybean crop is estimated at 15.5 million tons, up 2.7 million from last year. The increase in area planted in the States of Mato Grosso and Mato Grosso do Sul and higher yields contributed to Brazil's larger output. Also, favorable weather benefited late-planted soybeans. Argentina's crop, however, suffered from dry weather. China's oilseed crops were higher than anticipated. On the other hand, South Africa may produce only 200,000 tons of sunflowerseed because of drought, compared with the recent 5-year average of 371,000 tons.

Preliminary projections indicate world oilseed production may decline in 1983/84. Total world production is forecast at 178 million tons, down 2 percent. Most of the decline is due to PIK participation by grain producers in the United States, which will indirectly reduce U.S. soybean acreage. U.S. soybean production may fall 5 million tons. Foreign oilseed output is forecast to increase slightly above trend growth. Major foreign soybean producers—particularly China, Brazil, and Argentina—will likely expand production, but not enough to offset the U.S. decline.

World rapeseed output will likely expand in Canada, Western Europe, and India, but it may decline in China. Canadian rapeseed acreage could rise sharply following this season's reduced crop. In contrast, China's rapeseed area may decline because the Government, in an attempt to maintain grain area, reduced the amount of rapeseed eligible for a premium price. For sunflowerseed, output will likely increase significantly in Western Europe but may only gain modestly in the Soviet Union.

In 1983, output of tree-crop oils may suffer because of drought in the Philippines, Malaysia, and Indonesia. Coconut oil production, estimated at 2.9 million tons, is 3.5 percent above a year ago. Palm oil output, estimated at 6.1 million tons, is 2 percent above a year ago. Generally, Malaysia's palm oil production improves seasonally during June-August, and the output in this period should give an indication of the effect of the drought on Malaysia's total output for the year.

Soybean Meal Use Gains Moderately

World protein meal use for 1982/83 is estimated up 4 percent, slightly lower than the rate of increase in soybean meal use. The faster rate of growth in soybean meal consumption, estimated to rise 5 percent, almost offsets declines in fish, cottonseed, and peanut meal use.

Foreign soybean meal use in 1982/83 is expanding in the Soviet Union, Korea, and the EC. In the Soviet Union, soybean meal has been added to feed rations in greater proportions to boost the historically low protein intake of animals. Soviet meal consumption is projected to increase 27 percent, with supplies derived from larger soybean and soybean meal imports. Several Asian markets are also expanding protein meal use. In Korea, the booming pork sector is expected to require more soybean meal. Soybean meal accounts for roughly 15 percent of compound feed production, and Korea's mixed feed output will increase 9 percent, following a 26-percent increase last year. The EC's meal use should gain about 5 percent, primarily because of West Germany's increasing feed demand. In the United Kingdom, increased soybean meal imports will likely offset decreased soybean imports. The use of rapeseed meal is up, and more domestic grain is used as feed because the devaluation of the British sterling makes imported soybean meal more costly.

1983/84 Consumption Prospects

The rate of expansion of soybean meal use in 1983/84 will depend on the rate of economic recovery. Foreign recovery is generally expected to trail the U.S. recovery; therefore, demand strength in foreign markets may not begin until early 1984. Higher soybean prices may shift the soybean meal/grain price ratio in favor of grain use, which could dampen demand for protein meal. Also, the EC is considering proposals to subsidize the feed use of wheat, which could reduce the demand for protein meal.

In the Soviet Union, the demand for protein meal will grow to meet livestock needs. The Soviets may explore the possibility of including soybean meal in long-term agreements with the United States. Protein meal demand in Asia should remain strong again next year because of favorable economic conditions.

Brazil's Trade Stronger

Brazil's large crop and reduced imports under drawback are expected to push soybean exports to 1.1 million tons, compared with 0.7 million a year earlier. Soybean meal exports may gain 5 percent, and soybean oil exports could climb 12 percent. Brazil recently announced rules for drawback, but at this late date, the announcement is unlikely to affect imports. Drawback is a scheme that promotes soybean imports for processing and reexport of

Soybeans and products: World production, consumption, and net exports[1]

Country	1980/81 Prod.	1980/81 Cons.	1980/81 Net exports	1981/82 Prod.	1981/82 Cons.	1981/82 Net exports	1982/83[2] Prod.	1982/83[2] Cons.	1982/83[2] Net exports
					Million tons				
Soybeans									
Major exporters									
U.S.	48.77	27.77	19.71	54.44	28.03	25.29	61.97	30.75	25.31
Brazil	15.20	13.83	.74	12.84	12.44	–.50	15.50	13.40	.83
Argentina	3.50	.95	2.70	4.00	1.40	2.00	3.30	1.68	1.30
Major importers									
EC-10	.01	10.25	–10.48	.02	11.62	–12.10	.02	11.81	–12.25
Japan	.17	3.50	–4.20	.21	3.59	–4.34	.23	3.70	–4.40
Spain	.01	2.85	–2.79	.01	3.20	–3.20	.01	3.00	–3.00
Eastern Europe	.63	1.20	–.65	.52	1.07	–.63	.71	1.36	–.74
China	7.94	3.43	–.54	9.33	4.04	–.50	9.03	3.54	–.10
Mexico	.28	1.57	–1.37	.68	1.60	–.74	.55	1.45	–.90
Taiwan	.02	.95	–1.11	.01	.96	–1.15	.02	1.01	–1.24
USSR	.52	1.30	–1.40	.45	1.56	–1.70	.48	1.44	–1.50
Residual	3.74	4.20	–.61	3.72	4.87	–2.43	4.04	5.53	–3.31
World	80.79	71.80		86.23	74.38		95.86	78.67	
Soybean meal									
Major exporters									
U.S.	22.06	15.96	6.15	22.36	16.09	6.27	24.50	17.12	7.30
Brazil	10.62	1.70	8.59	9.64	1.97	8.13	10.32	2.10	8.10
Argentina	.70	.28	.42	1.08	.29	.78	1.30	.33	.98
Major importers									
EC-10	8.26	14.97	–6.68	9.37	16.27	–6.96	9.49	16.77	–7.30
Eastern Europe	.95	5.12	–4.19	.85	4.15	–3.31	1.08	4.28	–3.19
USSR	.99	1.99	–1.00	1.20	2.90	–1.70	1.10	3.70	–2.60
Thailand	.06	.20	–.14	.06	.26	–.20	.06	.27	–.21
Philippines	0	.25	–.24	0	.38	–.37	0	.38	–.38
Venezuela	.04	.45	–.41	.06	.56	–.50	.06	.56	–.50
Portugal	.22	.50	–.29	.41	.45	–.03	.48	.44	0
Japan	2.73	2.91	–.21	2.80	2.94	–.09	2.89	3.00	–.12
Mexico	1.23	1.23	–.18	1.25	1.33	–.01	1.13	1.35	–.17
Residual	8.95	10.97	–1.82	10.06	12.29	–2.01	9.99	12.48	–1.91
World	56.81	56.53		59.14	59.88		62.40	62.78	
Soybean oil									
Major exporters									
U.S.	5.11	4.13	.74	4.98	4.33	.94	5.51	4.45	1.00
Brazil	2.60	1.42	1.27	2.33	1.36	.90	2.51	1.55	.91
Argentina	.16	.08	.07	.23	.08	.15	.28	.08	.22
EC-10	1.82	1.47	.41	2.04	1.59	.45	2.07	1.57	.49
Spain	.48	.11	.41	.54	.10	.48	.51	.10	.42
Major importers									
India	.07	.72	–.65	.07	.45	–.38	.07	.67	–.60
Pakistan	0	.23	–.23	0	.31	–.31	0	.28	–.28
Eastern Europe	.21	.41	–.21	.19	.38	–.18	.24	.49	–.27
Iran	.01	.30	–.29	.01	.36	–.35	.01	.41	–.40
Morocco	0	.13	–.12	.01	.15	–.16	.01	.15	–.12
Residual	2.36	3.69	–1.40	2.60	3.91	–1.54	2.63	4.01	–1.37
World	12.82	12.69		13.00	13.02		13.84	13.76	

[1]For soybeans, consumption refers to crush. [2]Forecast.

soybean products. Paraguayan and Argentine soybeans were exported to Brazil under the drawback scheme. Paraguayan exports of soybeans and soybean meal may be shipped directly to foreign markets, most probably to Western Europe.

Argentina's soybean exports will decline because of the reduced crop. However, soybean meal exports will probably increase because of Argentina's tax policies, which favor product exports. On balance, Argentina's trade on a soybean meal-equivalent basis will fall 15 percent from a year earlier. Brazil and Argentina have long-term agreements with the Soviet Union. Argentina's soybean exports to the USSR, forecast at 500,000 tons, are more than one-third of its total exports.

U.S. soybean exports are forecast at 25.3 million tons, almost unchanged from a year earlier. This forecast is based on a combination of higher prices in recent weeks and low outstanding sales to the EC, compared with a year earlier. U.S. exports to the Soviet Union will reach nearly 200,000 tons, because South American supplies have been temporarily unavailable. A Brazilian export tax, set at 20 percent following their maxi-devaluation, caused confusion in the market and delayed shipments. This tax has now been lowered to 5 percent.

U.S. blended credit for oilseeds and products may have improved U.S. exports, particularly of soybean oil. Yugoslavia purchased nearly 141,000 tons of U.S. soybean oil under the program. However, competition is

strong. Spain and Portugal may export larger quantities of soyoil to North Africa. Brazilian soybean oil is more competitively priced, and palm oil is still selling at a discount relative to soybean oil, albeit a smaller discount, because of large stocks. Nevertheless, U.S. exports of soybean oil are expected to reach 1 million tons. [*Jan Lipson (202) 447-8855*]

Meat

After declining marginally in 1982, total meat production is forecast to show a slight recovery this year. Recession in many countries has dampened consumer demand for meat, while drought has wreaked havoc with production plans in some areas. Expected improvements in consumer purchasing power later this year may strengthen the demand for meat.

Beef Production Maintained

Beef and veal production in 1983 is forecast to be about the same as a year earlier. Drops of around 20 percent in Australia and Poland, 8 percent in New Zealand, and 7 percent in Argentina are expected. Other major producers are expecting only modest gains in production, but their contributions offset the declines in other countries. While Australia, New Zealand, and Argentina account for about half of the beef and veal exports (excluding intra-EC trade), they make up only about 10 percent of output.

Last year's severe and prolonged drought in Australia continues to afflict that country's livestock industry. Cattle inventories were down 10 percent at the beginning of 1983, and distress slaughter raised production 18 percent last year. The decline in output expected in 1983 will likely result in a large drop in exports and a somewhat smaller decline in domestic consumption.

Production in Argentina is expected to fall 7 percent in 1983, after declining 16 percent last year. Favorable prices encouraged producers to begin rebuilding herds last year, and inventories at the beginning of 1983 were reported up about 2 percent. Exports of beef have declined more than one-fourth during the first 3 months of 1983. Factors contributing to the decline are: loss of the British market, delayed purchases by the USSR, reduced shipments to Egypt, depressed world markets for beef, and higher live-weight prices paid for cattle used in fresh and processed meat exports. The outlook for the rest of the year is for a return to higher exports, but total shipments for the year will be down 10 percent.

In the EC, 1983 production will likely increase 3 percent, after falling 5 percent last year. France and Germany, the major producers, both expect increases of 3 percent this year. The EC has been a net exporter of frozen beef since 1980 and subsidizes exports to reduce surplus intervention stocks. Exports declined last year as intervention buying dropped because of the delay in fixing 1982/83 prices. With the announcement of the 8.5-percent rise in intervention prices in May 1982, buying increased, but lower stocks meant that less could be shipped. Major markets include North Africa and the Middle East, and the USSR.

Pork To Show Some Gains

World pork production is forecast to gain about 1 percent in 1983. Last year, output declined 2 percent, mainly because of a large drop in the United States.

Output in the EC is forecast to rise more than 1 percent, after declining marginally in 1982. EC hog prices have weakened so far this year, but a steady improvement is expected for the remainder of 1983. Rising demand is likely for domestic pork consumption, as consumers switch from higher priced beef, and for exports. EC consumers purchased 40 percent more pork than beef and veal last year.

Another outbreak of foot-and-mouth disease has curtailed the lifting of the import ban by Japan and the United States against fresh or frozen meat from Denmark. Denmark was able to increase exports of preserved pork (not affected by the ban) 30 percent in 1982, thereby maintaining the total export volume.

Japan's pork imports are forecast to decline 7 percent in 1983, while domestic production could increase 3 percent. Last year, imports declined 23 percent because of foot-and-mouth disease in Denmark (a major supplier), a rise in domestic supplies, and higher prices for pork from other sources.

Canadian production is forecast to increase more than 2 percent in 1983, after slipping 2 percent last year. Increased shipments, especially to Japan, are expected to firm prices and, thus, increase farrowings by midyear. Exports of pork rose about 50 percent in 1982, and a 5-percent increase is likely in 1983. Last year, the United States took two-thirds of Canada's shipments, while Japan took a fourth.

Slower Poultry Growth Continues

Growth in global poultry output has slowed from the late 1970's and early 1980's and is expected to continue to expand at a lower rate during 1983. Reduced import demand, as well as weak domestic demand in the major producing countries, has forced producers to cut back production plans. Foreign output grew almost 3 percent in 1982, considerably below the 6 percent in 1981.

The EC is the leading exporter of poultry meat, but it currently faces stiff competition from Brazil in a slow world market. Output in the EC in 1983 is expected to decline about 1 percent, after growing an average of 5 percent during the past 4 years. France accounts for 30 percent of the EC's output and is by far its leading exporter. French production has been jumping 7 to 10 percent a year over the previous 4 years, but a decline of about 1 percent is likely in 1983.

Brazilian exports of poultry meat increased 74 percent in 1981, as Brazil captured a sizable portion of the lucrative North African and Middle Eastern market. However, with only small growth in exports last year and a similar situation expected in 1983, Brazilian output may increase only 4 percent this year.

Output in Canada will likely increase 2 percent, after declining slightly last year. Demand is expected to remain strong because of high red meat prices in the first half of the year. Last year, consumption increased 2 percent, even with the reduced production, because of a drawdown in cold storage stocks and a jump in net imports. [*Linda M. Bailey (202) 447-4863*]

Dairy

Milk Production Expanding Rapidly

Production of milk and dairy products is continuing to increase sharply this year in most of the major dairy-producing areas of the world. Milk production is expect-

Total milk production

Country	1979	1980	1981	1982[1]	1983[2]
	Million tons				
United States	56.0	58.3	60.3	61.6	63.0
Canada	7.6	7.9	8.0	8.3	8.1
Mexico	6.9	7.0	7.2	6.9	6.5
Argentina	5.3	5.3	5.3	5.5	5.4
Brazil	10.1	10.3	10.5	10.7	11.0
France	28.0	28.3	28.4	30.3	30.9
Germany, Fed. Rep	23.9	24.8	24.9	25.5	26.1
United Kingdom	15.9	16.0	15.9	16.6	16.8
EC-10	106.5	108.1	108.4	113.0	115.3
Poland	17.3	16.5	15.4	15.4	15.2
USSR	93.3	90.9	88.9	90.1	94.0
India	28.0	31.2	32.5	34.0	35.0
Australia[3]	5.8	5.6	5.3	5.3	5.3
New Zealand[4]	6.5	6.8	6.7	6.8	6.8
Other	59.5	60.6	60.6	60.5	62.0
Total	402.8	408.5	409.1	418.1	427.6

[1]Preliminary. [2]Forecast. [3]Year ending June 30. [4]Year ending May 31.

ed to increase around 2 percent in 1983, mainly because of increased productivity. While this trend is welcomed in countries such as India and the USSR, many others view the larger output with considerable disquiet. They know that the increased production will be accompanied by increased budget outlays, rising stocks, and pressure to get rid of surpluses on a glutted export market.

Programs instituted in the EC, the United States, Canada, and Oceania to reduce surpluses have had little success so far, and the jury is still out on how effective they will be in coming months. Despite no increase in price support levels (resulting in further declines in the real farm price), cow milk production in the United States is forecast up 2 to 3 percent in 1983. However, the recently enacted 50-cents-per-cwt assessment on milk sold by farmers is expected to shrink the year-to-year increases as 1983 progresses, and fourth-quarter output may be only marginally above last year.

Canada's milk production may drop 2 percent from last year because of a reduction in industrial milk quotas, constrained price support increases, and increased penalties for over-quota production. Weakness in world dairy product markets is expected to keep New Zealand's production near a year earlier, while Australia's output will probably be up. During the first 7 months of Australia's July-June marketing year, output was up 6 percent. Despite the drought, the higher production has been achieved because of increased concentrate feeding—production of cattle feed was up 81 percent in the first 7 months of the marketing year.

The EC's milk production rose a little over 3 percent in 1982 and has been running sharply higher in 1983—up 10 and 7 percent in January and February, respectively. If EC officials are successful in keeping the increase in the price support to a minimum, much smaller rates of gain will be registered in coming months. Output for the year will likely increase 2 to 3 percent. However, a repeat of 1982's excellent forage and pasture conditions would push output considerably higher.

The Eastern European situation is extremely uncertain because of a lack of information on roughage and forage supplies, and the extent of cow cullings this past winter. However, current indicators point to a small drop in milk production this year. The USSR increased output on state and collective farms by 11 percent during January-March, compared with a year earlier. This rate will not be maintained, but a 4-percent increase for the year is feasible.

Surplus Dairy Product Stocks Huge

The increased milk production worldwide is translating into higher manufactured dairy product output. Unfortunately, domestic and foreign demand is not matching the increased output of butter, cheese, and nonfat dry milk. Thus, stocks will probably build for the remainder of the year. The EC has again taken the route of feeding its surplus nonfat dry milk to livestock, but butter stocks are rising rapidly. In late April, the EC raised export subsidies on dairy products to promote movement. U.S. stocks of butter are smaller than the EC's, but stocks of nonfat dry milk are huge in both countries. U.S. stocks are expected to grow this year, despite substantial donations to needy countries and domestic programs. [*Gerald Rector (202) 447-8054*]

Sugar

World sugar production will substantially exceed consumption in 1982/83, pushing stocks to a record volume. The world price of raw sugar strengthened in early May, but significant price rises are not expected until after 1983.

1982/83 Output Remains High

World output of centrifugal sugar in 1982/83 is estimated at 98.6 million tons, raw value, down slightly from 1981/82's 100.7 million. Beet sugar output fell 1.8 percent, and cane sugar dropped 2.2 percent.

Prospects for specific countries have radically changed since last November. Rains spoiled Cuba's potential output by 700,000 tons; the current estimate is 7.2 million, 1 million below 1981/82. Peru's output is now 450,000 tons, or 300,000 below November's estimate. Sugar output in the USSR is 500,000 tons lower than earlier estimated. At 6.8 million tons, the USSR's output means only partial recovery from the disastrous 6.4-million-ton crop last season.

On the plus side, India's output is now estimated at 9 million tons, up 639,000 from the earlier estimate. EC sugar output is placed at 14.8 million tons, up 466,000 from November, but 1.2 million down from last season. Excellent growing conditions in the EC have softened the effects of an 8.8-percent reduction in harvested acreage. Poland has harvested a record 2 million tons, up 250,000 from the initial estimate.

Consumption Up, but Stocks Rise

World consumption of sugar in 1982/83 is forecast at 92.4 million tons, up 3.2 percent from last season, largely as a result of population growth. In Asia, however, consumption could rise 6.5 percent, an increase amounting to half of the estimated gain in world sugar use. Consumption is also likely to rise 6.5 percent in Eastern Europe, 3.4 percent in North Africa and the Middle East, and 4.7 percent in Sub-Saharan Africa. Sugar consumption in Central and South America is estimated up 3.5 percent. North America's sugar use will be down 1.5 percent, largely because of the continued substitution of

high fructose corn sirup in the United States. With world production 6.3 million tons above consumption, stocks at season's end should rise to 42.5 million tons, or 46 percent of 1982/83 consumption.

Output May Equal Use in 1983/84

In 1983/84, world sugar output could fall more than 2 million tons because of a combination of planned area reductions and weather problems. EC sugar beet area may be down 7 percent. India's production will likely be lower because of reduced payments to growers. Drought in South Africa and Australia is expected to lower crops 10 to 15 percent. With improved economic conditions, world sugar demand might rise enough for consumption to equal production.

Heavy Stocks To Restrain Prices

The world price of raw sugar (f.o.b. Caribbean) exceeded 8 cents a pound in early May, up from 6.2 cents in the first quarter. However, given the heavy volume of stocks forthcoming at the end of 1982/83 and the likelihood of little, if any, reduction in 1983/84, prices cannot be expected to rise much in 1983. A substantial price rise in 1984 would depend on the likelihood of a stock drawdown in 1984/85. *[Robert D. Barry (202) 447-7290]*

Coffee and Cocoa

World Coffee Crop Down

World coffee production in 1982/83 is forecast at 81.2 million bags (60 kilograms each), down 17 percent from 1981/82, largely because of a 46-percent drop in Brazilian production. Brazil accounted for only 22 percent of production in 1982/83, down from 34 percent the previous year.

Other countries with production declines include Colombia, Ecuador, Peru, Venezuela, Ivory Coast, Kenya, Madagascar, Tanzania, India, and Indonesia. Output increased in Central America, the Dominican Republic, Mexico, Cameroon, Ethiopia, Uganda, Zaire, the Philippines, and Papua-New Guinea.

Global exports will likely total 65 million bags, up less than 1 percent from last season. Ending stocks in producing countries are expected to drop 10 percent from the previous season, to around 40 million bags.

World coffee production in 1983/84 will likely increase significantly because Brazilian output could be up 12 to 15 million bags from the 17.75 million in 1982/83.

The International Coffee Agreement's (ICA) composite price for "Other Mild Arabicas" and "Robustas" averaged $1.25 a pound in calendar 1982, up 10 cents from 1981. Prices increased to $1.31 last December but declined to $1.24 in February 1983. If the 1983/84 coffee crop increases as expected, prices may soften further during 1983. The ICA continues in effect until September 30, 1983. A new agreement will run from October 1, 1983, to September 30, 1989.

Cocoa Output Declines, Prices Firming

As a result of poor growing and harvesting conditions, the world cocoa bean crop could total only 1.56 million tons, down 9 percent from the record 1981/82 harvest. After 5 consecutive years of stock accumulation, cocoa production in 1982/83 is expected to fall short of consumption and reduce stocks by 63,000 tons.

Africa's production, usually 60 percent of world output, fell 13 percent. Dry weather afflicted the crop in the Ivory Coast, Ghana, and Nigeria. In Ghana and Nigeria, low grower prices have resulted in fewer trees planted and poor upkeep of existing trees. Dry weather also reduced production 10 percent in Brazil, second to the Ivory Coast in output. Output was up 17 percent in Malaysia, the world's sixth largest producer.

World cocoa bean grindings for 1983 are forecast to increase slightly to a record 1.61 million tons. Cocoa bean prices declined from $1.72 a pound in 1977 to 74 cents in 1982. However, cocoa prices have been firming in recent months and had averaged 84 cents a pound during February, up from 78 cents in January and a seasonal low of 65 cents a pound last November. Cocoa prices could ease in 1983/84 if the weather is good for next year's crop and output exceeds grindings. New plantings are coming into production, and young trees are increasing their output in Malaysia, the Ivory Coast, and Brazil.

The International Cocoa Organization is preparing to negotiate a new agreement to succeed the current one, which is scheduled to expire in September 1984. Neither the Ivory Coast (the world's largest producer) nor the United States (the largest consumer) is a member of the current agreement. *[Fred Gray (202) 447-7290]*

Cotton

U.S. Programs Cut World Production

World cotton production in 1982/83 is estimated at 67.7 million bales, 4.5 percent (3.2 million bales) below a year earlier. U.S. output dropped 3.6 million bales, largely because of the Government's acreage reduction programs. However, foreign production increased an estimated 0.5 million bales. Favorable weather and improved incentives in China and Pakistan more than offset production problems in the USSR and Mexico.

World production in 1983/84, forecast at 66.8 million bales, will be lower because of the U.S. PIK program. China may maintain high production, and the USSR's crop could rebound from last year's poor outturn. Significant increases are also likely in Mexico and Pakistan.

Trade Patterns Shift

Official Chinese figures released at the end of April indicate that China's cotton production increased more than 20 percent in 1982. Ample beginning stocks, combined with the massive production, swelled domestic supplies, which caused sharply reduced imports. Chinese imports in 1982/83 should be only one-fourth of a year earlier and will only be kept this high because of China's policy to maintain trade relations with some suppliers, particularly Pakistan. China cut off imports of U.S. cotton to pressure the United States into a more favorable textile agreement. China may even export modest amounts of cotton.

While China, one of the world's major cotton importers, moved toward self-sufficiency, the second largest exporter, the USSR, experienced supply problems. Rain and cold weather during harvest, combined with storage and ginning problems, lowered production and greatly reduced quality. As a result, the Soviets have been unable to export as much as usual to their major mar-

Cotton: World production, consumption, and net exports[1]

Country	1980/81 Prod.	1980/81 Cons.	1980/81 Net exports	1981/82 Prod.	1981/82 Cons.	1981/82 Net exports	1982/83[2] Prod.	1982/83[2] Cons.	1982/83[2] Net exports
	Million 480-lb. bales								
Major exporters									
United States	11.1	5.9	5.9	15.6	5.3	6.6	12.0	5.5	5.3
USSR	13.5	9.3	3.9	13.3	9.4	4.1	12.0	9.4	2.7
Pakistan	3.3	2.0	1.5	3.5	2.2	1.1	3.6	2.3	.8
Egypt	2.4	1.3	.7	2.3	1.3	.9	2.0	1.4	.8
Turkey	2.3	1.4	1.0	2.2	1.4	1.0	2.2	1.5	.7
Central America	1.1	.1	1.0	.9	.1	.8	.8	.1	.7
Sudan	.5	.1	.4	.7	.1	.5	.8	.1	.6
Brazil	2.9	2.5	—	2.9	2.6	.1	3.2	2.6	.7
Mexico	1.6	.7	.8	1.4	.6	.8	.8	.5	.4
India	6.1	6.3	.5	6.4	5.8	.2	6.2	6.0	.6
Major importers									
Western Europe	.8	5.1	−4.2	.8	5.1	−4.4	.7	5.0	−4.3
Japan	—	3.3	−3.2	—	3.4	−3.5	—	3.3	−3.3
Eastern Europe	.1	3.4	−3.6	.1	3.4	−3.3	.1	3.4	−3.2
South Korea	—	1.4	−1.5	—	1.5	−1.5	—	1.6	−1.5
Taiwan	—	.9	−1.0	—	1.1	−1.2	—	1.0	−1.0
China	12.4	15.3	−3.6	13.6	15.7	−2.0	16.5	16.5	−.3
Hong Kong	—	.7	−.7	—	.7	−.7	—	.6	−.6
Residual	6.7	6.1	2.1	7.2	6.0	.5	6.8	5.7	.9
World	64.8	65.8		70.9	65.7		67.7	66.5	

— = negligible.

[1]Year beginning August 1. [2]Preliminary.

kets in Europe and have failed to fulfill their long-term contract with Japan. Still more surprising were the Soviet purchases of cotton from Australia, India, Central America, and the United States. However, some of those purchases were canceled, and others have been switched to East European destinations. Even allowing for these adjustments, Soviet cotton imports in 1982/83 will likely be sharply higher. The entry of the USSR as a significant buyer of cotton is a major change in the world market. However, global cotton mill use and trade in 1982/83 continue to be limited by recession, while prospects for 1983/84 largely depend on the strength of the economic recovery.

Prices Hurt U.S. Exports

U.S. prices have responded to domestic policies and recent developments with regard to China and the Soviet Union more than they have followed the general pricing patterns of competitors. As a result, the competitiveness of U.S. cotton as measured by European price quotes has fluctuated from a premium of less than half a cent a pound to over 4 cents. The higher premiums have probably reduced purchases of U.S. cotton during 1982/83. [*Edward Allen (202) 382-9820*]

REGIONAL DEVELOPMENTS

United States

Recent developments are changing the agricultural outlook. Crop prices have risen substantially since commodity markets adjusted to expectations of much smaller 1983 plantings, which should lower this year's harvests and pull down stocks next season. In turn, higher crop prices are altering livestock prospects as producers are adjusting to higher feed costs. Meat supplies are expected to be somewhat smaller in 1984, with most of the year-to-year decline occurring in the second half.

Crop Prices Rise

Crop prices have risen in recent months because of prospects for the sharpest cut ever in spring plantings. A recent special survey to measure the impact of 1983 acreage limitation programs indicates the following reductions in plantings: corn 28 percent, sorghum 26 percent, rice 34 percent, and cotton 28 percent. Crop supplies in 1983/84 will still be abundant since carryover of 1982 crops will be record large. However, by the fall of 1984, stocks of most crops will likely be in better balance with use. Also, most of the carryover this fall will be in the farmer-owned reserve and CCC inventories and, thus, only available to the market at higher prices. So, the tightening of "free" stocks this year and the likelihood of smaller supplies in 1983/84 have given a boost to crop prices.

Meat Production Rises

Total production of red meat and poultry is expected to be up about 2 percent this year. All meats, except lamb and veal, will be in larger supply, but increases will be moderate. Livestock feeders began gearing up to an improved profit situation late last year by breeding more sows, increasing the number of cattle placed in feedlots, and raising more chicks. However, with recent rises in feed costs and the outlook for feed prices to remain well above 1982 harvest lows, livestock feeders are reevaluating feeding activity. During first-quarter 1983, the number of cattle placed on feed fell 12 percent from a year earlier, and pork producers will likely adjust farrowing plans because profits have disappeared. Broiler producers marketed 5 percent more birds last winter, but based on the latest market data, production may be up

only slightly by fall. Most of the impact of higher feed costs at a time of uncertain future economic activity will not show up until well into 1984.

Farm Income Prospects Brighten

Net farm income in 1983 is anticipated to remain near the 1982 estimated level or perhaps rise slightly. Farm income is forecast at $18 to $22 billion, about the same as the $20.4 billion in 1982. Cash receipts will probably decline this year, with lower receipts for crops more than offsetting a small prospective increase for livestock. However, government payments will be sharply higher, and farm production expenses will decline for the first time since 1953. The cutback in crop acreage means farmers will use fewer inputs, and decreased acreage will affect outlays for fertilizer, pesticides, fuels, seed, repairs, and operating credit. [*Don Seaborg (202) 447-8376*]

Canada

Early indications about the 1983/84 crop year (August-July) have emerged recently. In several ways, the outlook for crop area and production is a continuation of the situation in 1982/83, with increases in area again expected for wheat and rapeseed, but a decline likely for coarse grains.

Increases in Area Expected

Farmers' planting intentions as of March 15, 1983, show a 7-percent increase in wheat area, following a 1.5-percent rise last year. Barley area will likely be down 9 percent, on top of a 5-percent decline last year. Rapeseed area increased 22 percent last year and is indicated to expand another 17 percent this year. Total area for major crops shows a 1.5-percent increase, about the same as last year.

The survey was taken before the Canadian Wheat Board announced lower initial prices (a guaranteed floor price) for wheat, barley, and oats. The steep drop of 13.6 percent in the initial price for barley, coupled with a decline in the barley/rapeseed price ratio, should encourage more farmers to plant rapeseed at the expense of barley. Therefore, the potential for increased rapeseed production is considerable, especially considering last year's poor quality crop that resulted in tight supply conditions. Coarse grain production will decline substantially.

Record Wheat Exports

Planting intentions are heavily influenced by current and expected exports. For 1982/83, three-quarters of the wheat and one-third of the coarse grain production will be exported. Wheat exports are running 20 percent ahead of last year's record. However, coarse grain exports are about 15 percent behind last year, reflecting reduced Soviet purchases. Canadian grain stocks have not been as burdensome as in the United States, and the Wheat Board has not changed its policy of maximizing export volume. Export prospects for 1983/84 appear better for wheat and rapeseed than for coarse grains. [*Carol Goodloe (202) 447-8376*]

Western Europe

Agricultural Output Continues To Rise

The agricultural production index (1969-71=100) for Western Europe rose 4 percentage points to 125 in 1982, significantly above recent years. Grain production and livestock output (except for beef) set records.

In 1983, total output will likely rise further. Grain production is expected to be near last year's 161 million tons. A slightly larger planted area is expected to offset somewhat lower yields. Favorable feed-livestock ratios will strengthen profits for livestock producers, and the output of all major livestock products, except poultry, is expected to increase.

Western Europe's agricultural imports are declining as a result of its increased production and stocks. U.S. exports to Western Europe during the first 6 months of fiscal 1983 fell 15 percent from the previous year. In both the EC and the rest of Western Europe, declines occurred for nearly all commodities.

Farm Income Improves

Farm income in Western Europe improved in 1982, reversing a 3-year deterioration in most countries. Higher producer prices that outpaced the rise in input prices and increased output of the main agricultural products were responsible for the improvement. In the EC, a sharp 8.6-percent advance in farmers' real income reversed a strong downward trend that began in 1978. To top it off, input prices rose less than 10 percent. An increase of 13.6 percent in EC-funded agricultural support payments also helped raise net returns to farmers. The gap between real per capita income from farming and from comparable jobs in the nonfarm economy narrowed in 1982.

Farm income in Western Europe will likely continue to improve in 1983. A period of disinflation, which began in 1982, and mild economic recovery should have a positive effect on both farmers and consumers.

Export Subsidies Pressure Budget

EC expenditures in support of agriculture increased substantially in 1982 and in early 1983. The combination of increasing production and stocks and high EC prices relative to reduced world prices will force a significant rise in expenditures for the rest of year. Substantial cost increases are expected for export subsidies, internal price subsidies, and storage. Because of export subsidies' large share of total expenditures and the sizable increase needed to keep Community products competitively priced in international markets, the rise in export subsidies will affect total budgetary expenditures the most.

Over the next 2 years, the EC is almost certain to experience financial strains that will require either an increase in financial resources or significant adjustments in agricultural support prices. Some national governments' opposition to increasing the VAT (value-added tax) contribution of member countries (now limited to 1 percent of gross national product) effectively constrains the EC's revenues. Other schemes for increasing EC financial resources are being considered, but they are

departures from traditional financial arrangements among member countries and will be debated for a long time. Meanwhile, because of the extra funds needed to support export subsidies, postponement of the revenue question forces EC decisionmakers to minimize increases for intervention and storage costs.

Change in Inward-Processing Scheme

The inward-processing scheme is a mechanism that allows processors to import non-EC grain without paying a levy, as long as the grain is processed and exported. A feature of the scheme is known as "equivalency." It allows the imported grain to stay in the EC as long as an equivalent amount of EC grain is incorporated in processed products exported to non-EC countries. Since the EC became a surplus wheat producer in the late 1970's, equivalency has exacerbated EC stock accumulation problems. EC stocks of some types of wheat were growing while similar non-EC wheat was still being imported.

In December 1982, the EC, under French pressure, suspended the equivalency provisions for soft and Durum wheat. The elimination of equivalency is expected to have little effect on U.S. exports of soft wheat to the EC, since most U.S. soft wheat is imported by firms with particular needs that cannot be met with EC wheat. However, the suspension is expected to harm sales of Durum to Italy, whose growing exports of semolina to Algeria (milled from lower quality Italian Durum) have fueled Italian imports of U.S. Durum under the equivalency provision. Countries whose processors had made extensive use of equivalency—notably Italy, West Germany, and the Netherlands—are seeking to have the suspension revoked. [*R. Trostle, M. Cohen, M. Lambert (202) 447-8289*]

Australia

Relief From Drought

Recent rains provided substantial relief from the widespread drought that had persisted for nearly a year. The rains were too late to benefit 1982/83 crops; however, they did improve prospects for fall-planted crops and should help the recovery of ranges and pastures.

The drought caused an estimated loss in net cash income of $A1.4 billion. Nearly 60 percent of the farms throughout Australia were hit by drought. In New South Wales, where the situation was most severe, 86 percent of the farms were affected. Grain farms, especially wheat, experienced the greatest losses.

Plantings Should Increase

Output of fall crops, planted in June, will likely rebound to predrought levels because of the need to improve cash flow and replenish grain stocks. The drought-reduced livestock population will also free up more land for crops. A wheat area of about 13 million hectares is expected, which could produce a crop of 17 million tons, nearly double a year earlier. Wheat exports would return to normal after the November-January harvest. Coarse grain plantings are also expected to increase to predrought levels.

Livestock Output Declining

Total red meat production during the first quarter of 1983 was 9 percent below a year earlier. Beef production was down 11 percent because of a 4-percent decline in slaughter and lighter carcass weights. Mutton output was down 14 percent, since sheep slaughter was off 11 percent. Pork production was up 5 percent, and the output of chicken meat rose 8 percent from first-quarter 1982.

Livestock inventories are reduced because of forced marketings in 1982, the result of poor range and pasture conditions. Efforts to rebuild the sheep flock will continue to cause reduced slaughter. A reduction in cattle slaughter also is in prospect in 1983. Both exports and domestic consumption are expected to decline this year. [*Allen Johnson (202) 447-8378*]

Japan

Livestock Production Recovers in 1982

Japan's livestock sector improved modestly in 1982, following sluggish performance in 1981. Beef and veal production increased 2.2 percent to 481,000 tons, with only a very small increase in the amount produced from dairy beef. Pork output rose 2.2 percent from 1981 but was still below the 1.48 million tons reached in 1980. Broiler output grew 7.7 percent, spurred by consumer demand as a result of stable retail prices and a shift from more expensive pork. Egg production expanded nearly 3 percent, but prices plummeted more than 30 percent because of an overabundant supply. Because of a small increase in cow numbers, milk production rose 2 percent. Production of beef and veal is expected to increase marginally in 1983, while pork production is expected to expand close to 3 percent. Broiler output is forecast to grow less rapidly than it did in 1982.

Total imports of beef and veal showed no growth in 1982, but the United States raised its share of the Japanese market to 26 percent, from 22 percent in 1981. Chicken imports rose 5 percent to 103,000 tons, despite growth in domestic production. As expected, pork imports fell 23 percent, mostly because of the ban on pork from Denmark, where an outbreak of foot and mouth disease occurred. Imports of U.S. pork were down 16 percent compared with 1981, and imports from Canada increased slightly (2.3 percent). Egg imports declined 19 percent from 1981, the result of more competitive prices for domestic egg products.

Imports of beef and veal picked up during the first quarter of 1983, as Japan increased purchases to fulfill its 135,000-ton quota for Japan fiscal-year 1982 (April 1982-March 1983). On the other hand, a further decline in pork imports is expected because of growth in domestic production and the continuing ban on Danish pork imports. Strong demand for chicken implies continued growth in poultry imports in 1983.

Total imports of coarse grains declined slightly in 1982, despite gains in livestock output. The use of rice in animal feed continued to grow. U.S. exports of coarse grains fell 12 percent because of the yen's weakness relative to the dollar and larger corn and sorghum imports from South Africa and Argentina. Feed grain imports are expected to increase moderately in 1983, in step with livestock expansion. U.S. exports of corn in the first half of U.S. fiscal 1983 were up almost a third from fiscal 1982, but sorghum exports declined sharply as a result of increased shipments from Argentina.

Cotton Yarn Industry Remains Weak

Prolonged weakness in Japan's yarn-spinning industry has curtailed imports of raw cotton. Sluggish demand and pressure from imports, chiefly from Pakistan and South Korea, are responsible for a slide in cotton yarn prices. Last year, imports of cotton yarn increased 50 percent from 1981. Japan's spinning industry responded by filing an unprecedented dumping suit against yarn imports from Pakistan and South Korea. Cotton good stocks at the end of 1982 were higher than at the end of 1981, and are currently above desirable levels. To ease the stocks problem, Japanese spinners have extended voluntary production restraints in effect since the end of September 1981, when an official cutback cartel was ended. Any turn soon toward profitability in the spinning industry is uncertain, but a recent upswing in cotton yarn prices suggests that continued production cutbacks are working, resulting in a tightening of supplies.

U.S. cotton exports to Japan for the first half of the U.S. fiscal 1983 were down 34 percent in volume and 33 percent in value compared with a year earlier, pointing to a sizable decline in cotton exports for the year. Low prices for U.S. cotton resulted in a 45-percent increase in exports to Japan in fiscal 1982, to 361,000 tons. The United States usually supplies Japan with between 35 to 45 percent of its raw cotton imports. Other major suppliers include Pakistan, the USSR, Mexico, Sudan, Australia, and Central America. The USSR suspended cotton exports to Japan in March 1983 because of lower quality and a decline in Soviet supplies from the 1982 crop. Japanese spinners will be seeking high-quality cotton from other sources. [*Lois A. Caplan (202) 447-8229*]

USSR

USDA's initial estimate of Soviet 1983 grain output is 200 million tons—5 to 10 million tons below trend, but 20 million higher than the estimated 1982 output. The below-trend estimate reflects the lower yields associated with inadequate soil moisture in some areas—a problem that may offset the benefits of early spring weather, improved fertilizer supplies, procurement price increases, and management changes designed to tie worker rewards more closely to output. The prospect of a less-than-trend grain crop for the fifth straight year suggests a continued need for substantial grain imports. However, the Soviet desire to limit hard-currency expenditures may keep imports below levels needed to rebuild depleted stocks.

Weather, Area Restrain Production

The 200-million-ton production estimate is based on Soviet indications of a planned total grain area of 124 million hectares. The Soviets likely will attain the planting goal. Although this is 1 million hectares more than the 1982 area, it is 4 million below the 1976-80 average. One reason for the lower area in the last 2 years is the Soviet desire to increase clean fallow area, which averaged less than 13 million hectares during 1976-80. In 1981 and 1982, it averaged almost 17 million hectares.

The winter grain harvested area, estimated at 28 million hectares, would be the smallest since 1979. Moisture deficiencies, although somewhat alleviated by rain in April and early May, may push yields below normal in certain key winter grain areas—the eastern Ukraine, North Caucasus, and much of the Volga Valley. Total winter grain production is estimated at 60 million tons, with spring grains at 140 million tons. Warmer temperatures and the absence of excessive soil moisture this spring have enabled a rapid pace in spring plantings. Because of generally average to below-average soil moisture, timely and, at least, average precipitation will be necessary to sustain the benefits of this good start through the summer.

Improvements in management and increased inputs can help to offset the yield declines that may occur because of soil moisture deficiencies. For example, fertilizer production is running 10 percent ahead of last year, and procurement prices were raised on January 1 for farm sales of grain, as well as for most other agricultural commodities, to the State. Emphasis on worker discipline and on the use of production teams that tie workers' wages more closely to final production is increasing.

Other Crops Also Need Rain

The outlook for most other crops will be affected by the same range of factors as that for grains. Early warm weather and dry field conditions encouraged a rapid pace of plantings. In addition to using production teams, there are increased price incentives from sales to Government procurement agencies and to collective farm markets.

The need for above-average rainfall is especially critical for sunflowerseed output, since about 20 percent of production occurs in the moisture-deficit areas in the Volga Valley and North Caucasus. Lower-than-normal snowfall in the mountains of Soviet Central Asia means that an important source of irrigation water for the cotton crop will be inadequate. However, rains in April and May, greater reliance on well water, and more efficient water distribution and application techniques should permit the Soviets to offset this problem.

Livestock Situation Continues To Improve

Livestock performance in the socialized sector during first-quarter 1983 showed relative improvement compared with a year earlier—the result of better supplies of grain and nongrain feeds from the 1982 crops. As of April 1, cattle, hog, and poultry numbers were at record levels. Meat (live weight), milk, and egg production during January-March showed gains of 5, 11, and 7 percent, respectively, compared with a year earlier.

The output of total meat and milk for 1983 could show relatively good gains over 1982. Meat output is expected to surpass last year's 15.2 million tons and could approach as much as 15.7 million. Milk output could reach 93 to 94 million tons. Total egg production is expected to trend upwards and may gain 2 to 3 percent over 1982's record 72 billion eggs.

Grain Import Needs Still High

Despite the forecast improvement in grain production over the 1982 crop, Soviet grain import needs for 1983/84 (July-June) are forecast at 35 million tons, about the same as a year earlier. This level would allow for larger grain feeding and also some rebuilding of stocks depleted after 5 years of below-trend production. Hard-currency concerns, which last year likely depressed grain imports, may still affect them this year, especially considering the expected higher grain prices. Argentina, Canada, and

the United States will remain the primary sources of supply, although Western Europe (chiefly France) has been aggressive in its efforts to enter the Soviet market.

The U.S.-USSR semiannual grain trade consultations were held in Moscow on March 24 and 25. Agenda items included the world grain supply and demand situation, U.S. grain supplies, Soviet import needs, and actual purchases and shipments to date. Additional talks are proposed for some time in June. On April 22, 1983, the President announced that the United States was willing to begin negotiations with the Soviet Union regarding a new long-term grain agreement. The Soviets accepted the U.S. proposal on May 16.

USDA lowered its estimate of Soviet cotton lint production to 12 million bales, based on a reduced ginning rate estimate of 28 percent. Because of the extremely poor quality of the 1982 cotton crop, Soviet import needs for high-quality cotton lint are expected to rise sharply this year. Through April, total Soviet purchases had reached about 325,000 bales, the bulk of which came from the United States. Total Soviet imports of cotton lint during this crop year will likely reach 600,000 bales, the largest since 1974/75.

Imports of oilseeds and oilseed meal are expected to remain heavy as the Soviets accelerate their program of supplementing domestic feed supplies with protein meal. Soybean meal imports are projected to reach at least 2.6 million tons in 1983. Soybean imports should reach 1.5 million tons. Currently, the Soviets have purchased about 200,000 tons of U.S. soybeans. [*Jim Cole (202) 447-8380*]

Eastern Europe

The economic belt-tightening instituted in 1982 is continuing in 1983 throughout Eastern Europe. Difficulty in servicing hard-currency debt and obtaining new credit forced the East European governments to reduce domestic consumption, investments, and imports and to promote exports vigorously. Agricultural policy in all countries emphasizes more growth in crop production than in livestock output in order to narrow the gap between feed demand and domestic feed supplies. Grain production is receiving top attention.

Outlook for Grain Production Favorable

The area sown to grain in the fall of 1982—about 15.6 million hectares—was similar to that of fall 1981. The smaller grain area sown in Poland was offset by increases in Czechoslovakia, the German Democratic Republic (GDR), Hungary, and Yugoslavia. Generally dry soil conditions last fall impeded proper seed germination, but adequate precipitation during the mild winter months was beneficial for recovery. Reports from the countries indicate that the grain crop overwintered well and appears to be in good condition. Several countries even permitted grazing of wheat fields. The sowing of spring barley, wheat, and oats has been completed, and corn planting is in progress. No change in the size of the total grain area is likely in the region as a whole.

Grain Imports To Decline

The 1982 grain harvest, which totaled over 105 million tons, increased export potential in the southern countries and reduced import requirements in the northern countries of the region. However, the feed supply was hurt by the 12-million-ton shortfall in potato production in the GDR and Poland, where potatoes are an important feed for hogs.

The good grain harvest, combined with reductions in hog and poultry numbers, will make East European grain imports during 1982/83 the lowest in the last 10 years. In addition to actual feed demand, imports will be influenced by the scarcity of hard currency and the difficulty in obtaining new credit. Most grain purchases must be paid for in cash or through barter arrangements. Grain exporters are reluctant to grant new credit to Poland. The GDR, however, obtained a 2-year credit for 1 million tons of grain imports from Canada, and Yugoslavia received CCC credit guarantees from the United States for purchases of about 350,000 tons of grain.

No Change in Oilseed Production

Total 1983 area sown to oilseeds is expected to stay at the 1982 level. The dry fall was unfavorable for rapeseed in Poland. The extent of plowing up land seeded with rapeseed is not known yet, but the less-than-average planted area itself will prohibit an average harvest. Some increase in soybean area in the southern countries may compensate for the rapeseed shortfall in Poland. Plant diseases are limiting the expansion of sunflower area throughout the region. Experts are recommending a 6-year rotation period until sunflowers can be sown again on the same land.

Reduced Meat Output Expected in 1983

The number of cattle in the region dropped about 1 percent during 1982, principally because of herd reductions in Poland. Hog numbers were down 3 percent, with only Hungary reporting an increase. The reduced livestock inventory by the beginning of 1983 implies lower meat production, unless further cuts in herds occur, which would cause serious meat shortages in 1984. Eastern Europe, a net exporter of livestock products, is unlikely to channel to domestic consumption meat designated for export, since livestock products are important contributors to hard-currency earnings. Poland probably will be forced to further ration meat, unless it revives the State-owned broiler industry, which is not operating because of feed shortages. To reinstate the broiler industry, Poland must import more concentrated feed than the 4 to 4.5 million tons planned.

U.S. Feed Exports Down Sharply

U.S. feed exports to Eastern Europe dropped sharply during January-March 1983, compared with the same period of 1982. Corn exports, at 300,000 tons, were one-fourth of first-quarter 1982 shipments; wheat was not exported at all; and exports of soybean meal ran two-fifths below a year earlier. Only soybean exports were ahead.

U.S. exports to Eastern Europe, January-March

Commodity	1982	1983
	1000 tons	
Wheat	177	0
Corn	1,276	316
Soybeans	147	190
Soybean meal	402	159

Source: U.S. Export Sales, USDA, FAS.

CCC credit guarantees to Yugoslavia will help U.S. vegetable oil and cotton exports to exceed last year's levels. Yugoslavia received a $50 million credit line for vegetable oil imports and $60 million for cotton. Total CCC credit guarantees for Eastern Europe in fiscal 1983 are $235 million to Yugoslavia and $42 million to Hungary. [*Thomas A. Vankai (202) 447-8380*]

China

Final statistics on 1982 crop production, released in late April, indicate record output of most crops and a much better overall performance than China's planners had hoped for. The large 1982 crops, together with generally good prospects for 1983, further depress the outlook for China's agricultural imports this year.

Another Record Crop in 1982

On the strength of record harvests of wheat, rice, cotton, oilseeds, and sugarcane, China's overall crop production rose 10.9 percent in 1982, continuing the rapid advances of the last 5 years. This was the largest single gain in nearly a decade and pushes crop output 37 percent above that of 1977. Wheat output reached 68.4 million tons, up 15 percent from the previous year's crop, and rice production rose 12 percent to 110 million tons. The cotton crop reached 3.6 million tons, an increase of 21 percent and equal to the 1985 target approved in December 1982.

The weather proved to be better than anticipated and, at least for fall-harvested crops, was the best in years. Production was also spurred by the continuing introduction of new incentive systems—contracting farmland to individual households and allowing them to retain production in excess of certain set quotas. The incentive systems have substantially promoted efficiency and productivity growth.

Production in the livestock sector also increased, as meat output rose 7 percent to 13.5 million tons. Pork again accounted for most of the increase. China's infant dairy industry also made notable progress, as milk production reached 1.6 million tons, an increase of 25 percent. Livestock production remains very small on a per capita basis, and this sector will continue to be emphasized in coming years.

More Emphasis on Grain in 1983

Prospects for most 1983 crops are again good. Favorable fall and spring weather and an increase in area suggest that another record wheat crop is likely. Coarse grain production should also be up, given normal weather over the growing season. Rice production, however, will probably drop substantially because last year's excellent weather will not likely be repeated.

The major development for crops this year is the reversal of the shift of grain area to more profitable cash crops and the consequent slowdown in the growth of production of crops such as cotton and oilseeds. Tighter government control over planting and somewhat better incentives for grain farmers are the major reasons. Because of the changes, rapeseed area is down by more than 10 percent this year, and lower acreage of cotton and tobacco is also projected.

Agricultural Imports Down

The ongoing increases in agricultural production have led to lower imports of all farm products except grain. China, the world's leading cotton importer as recently as 1980/81, is expected to import only about 500,000 bales of cotton in 1982/83, and possibly even less in 1983/84. Soybean imports have tailed off, and China's soybean exports to Asian markets are increasing.

The one exception has been grain imports, which will reach a record 15.5 million tons during 1982/83. This growth has not benefited the United States, however. Increased competition from other exporters has cut sharply into the U.S. share of China's 13 million tons of wheat imports. The only bright spot has been corn; U.S. sales have more than doubled in 1982/83 and will reach about 2.3 million tons out of total imports of 2.5 million.

These developments have had a major impact on total U.S. farm exports to China. U.S. sales were $2.2 billion during fiscal 1981, but they fell to $1.8 billion in 1982, and may drop to as little as $800 million this year. No substantial improvement is expected during fiscal 1984. [*Frederic M. Surls (202) 447-8676*]

Asia

Untimely rains during harvest somewhat reduced South Asia's 1983 wheat crop, but production is preliminarily estimated at 56.1 million tons, exceeding the record 1982 harvest by 2 million tons. Despite the good harvest, wheat imports will remain high as South Asian countries attempt to satisfy growing consumption requirements and rebuild depleted stocks.

For most Asian countries, the 1983 main-season rice crop is not planted until midyear. The exceptions are Malaysia, where the 1983 harvest was much improved over the drought-plagued crop of a year earlier, and Indonesia, which is experiencing its first production decline in 8 years. Indonesia's rice imports may reach 2 million tons during the year, after falling to only 332,000 in 1982. Supplies of rice for export are down slightly in Thailand, but prospective 1983 rice exports are higher in Burma and Taiwan.

Record South Asian Wheat Harvests

Assuming normal weather for the remainder of the year, India's 1983 food grain production is forecast at 135 million tons, including 53 million of rice and 39.5 million of wheat. Excellent moisture conditions allowed the current wheat crop to surpass last year's bumper harvest, but the 1983 crop could have been higher were it not for some unexpected rains during the spring harvest.

Although the good wheat crop will increase India's cereal supplies, the impact of the 1982 drought has kept prices relatively high. Furthermore, to enable the Government to meet its public distribution requirements, an additional 2 to 3 million tons of wheat could be imported in 1983/84, particularly if the Government elects to rebuild its below-target cereal stocks. However, the recent upturn in real cereal prices, stable prices for energy-based inputs, and new additions to irrigation capacity could lead to stronger future gains in food grain production.

The weak 1982 monsoon reduced India's oilseed plantings and yields in important kharif (fall) harvest areas, leading to an estimated 11-percent decline in total oilseed production during 1982/83. Peanut production is forecast at 5.5 million tons, down sharply from the 1981/82 record of 7.2 million. Because of the decline in oilseed production, edible oil output will probably not exceed 3.1 million tons in 1983. Higher prices for both oilseeds and oils in early 1983 may serve to dampen the recent growth in consumption. Current estimates suggest a 4-percent increase in consumption and a rebound in vegetable oil imports to about 1.3 million tons in 1983. Imports of soybean and palm oil are expected to total about 600,000 tons each.

Preliminary indications are that oilseed production will increase 10 percent to 14.9 million tons in 1983/84, with edible oil output of about 3.3 million tons and 1984 imports of 1.1 to 1.2 million tons. With these projections, smaller requirements for imported oils for the vanaspati (ghee) industry may again reduce the soybean oil share of total imports in 1984, although this will depend on the continued competitiveness of palm oil in world vegetable oil markets.

Bangladesh's food grain supplies are expected to remain tight during the remainder of 1983, but they have improved somewhat during the past 3 months. With 1982/83 food grain imports of 2.3 million tons, a bountiful winter rice crop of about 3.5 million tons, and a 1.2-million-ton 1983 wheat harvest, stocks on July 1, 1983, are expected to reach 840,000 tons, about 50 percent higher than in mid-1982. Nevertheless, total food grain output during 1982/83 is currently estimated at 15.1 million tons, lower than previous estimates and far short of growing consumption requirements.

Prolonged rains in Pakistan have dampened prospects for a good wheat crop. Although the wheat harvest in the important Punjab and Sind provinces has been delayed, output is still expected to reach 12 million tons. Such an output would be 500,000 tons above the 1982 crop, but 300,000 below the government target. Because of the lower-than-anticipated harvest, Pakistan will once again import 400,000 tons of wheat during 1983. Pakistan must feed a large refugee population, as well as keep a commitment to export 150,000 tons of wheat to Iran.

Indonesian Rice Crop Down, Imports Up

Indonesia's 1983 rice output is expected to decline to 22.5 million tons, down 3 percent from the record 1982 harvest. It would be the first production decrease since 1975. The late-arriving, erratic monsoon probably resulted in a smaller wet-season rice harvest and diminished area and production prospects for the dry season. Accordingly, rice imports in 1983 may reach 2 million tons, comparable to imports of the late 1970's, again making Indonesia the world's leading rice importer.

Indonesia recently introduced Cameroon weevils to North Sumatra, its major oil palm-growing area, to enhance pollination and contribute to a boost in palm oil production to more than 900,000 tons this year, up from 798,000 in 1982. The Government may lift restrictions that currently limit palm oil exports to 8 percent of output to accommodate increased demand resulting from the recent 38.6-percent devaluation of the rupiah.

Malaysian palm oil production may reach 3.6 million tons, 3 percent above 1982's large weevil-assisted output. Strengthening demand and prices for palm oil and rubber could result in a 1983 agricultural trade surplus approaching $2.3 billion, 33 percent above 1982. Although the rice crop was much improved in early 1983, imports of at least 350,000 tons will be required to keep stocks from declining even further.

Thailand's rice exports during the first quarter of 1983 exceeded those of early 1982, when uncertainty over export taxes acted as a brake on sales. With large African, Middle Eastern, and Southeast Asian purchases, rice prices in Bangkok are slowly strengthening, and exports of 3.5 million tons in 1983 appear likely. Continued strong corn prices will lead to a planted area as large as last year's record. Therefore, given favorable weather, a harvest of 4 million tons is expected. Exports of tapioca pellets to EC feed mills have run ahead of Thai quota limits. By March 13, 3.07 million tons had been shipped, leaving only 2.13 million for export for the remainder of 1983. Pressure to borrow from planned 1984 quotas is expected, and total 1983 exports could easily exceed 5.2 million tons.

Below-normal rainfall throughout the Philippines since November 1982 has resulted in reduced harvest prospects for several commodities: the 1982/83 corn harvest has been lowered to 3.08 million tons, pineapple growth and fruit size has been stunted, and sugarcane planting has been delayed. To compensate for the corn shortfall, U.S. corn exports are expected to nearly double from the 160,000 tons shipped during 1982.

Taiwan To Reduce Rice Stocks

Excess rice stocks continue to be a problem for Taiwan. Rice area is gradually being reduced, and production is expected to fall 100,000 tons in 1983. But the biggest decline in stocks may come from rice exports, which could top 700,000 tons. Indonesia is negotiating for purchases of about 500,000 tons of Taiwan's rice. African and Middle Eastern countries are also expected to purchase substantial quantities.

Taiwan's 1983 sugar crop will be down about 16 percent to 650,000 tons. Lower area and reduced yields due to typhoon damage in 1982 and the government ban on the use of river beds for sugar cane production are the reasons behind the drop in sugar output. The lower output, coupled with reduced stocks, is expected to result in a 40-percent decrease in 1983 sugar exports, to 250,000 tons.

South Korea's exports have continued to decline slightly, but other economic indicators are more positive. Imports of feedstuffs are expected to maintain brisk growth through the year. Cotton imports, on the other hand, have been sluggish, and the U.S. market share has fallen. Korean garment exports to the United States in 1982 and 1983 have fared relatively poorly in the face of stiff competition from Taiwan, China, and other countries. [*E. Wayne Denney (202) 447-8229*]

Africa and the Middle East

Drought Devastates Southern Africa

Drought has severely reduced agricultural production in Southern Africa and will sharply raise corn import requirements for 1983/84. In addition to poor crops, livestock losses will also be substantial, particularly in Botswana and Zimbabwe. For parts of the region, this is the worst drought in at least 50 years and possibly the worst of the century. Furthermore, abnormally high

temperatures often compounded the problems of irregular and deficient rainfall.

South Africa, the region's dominant corn producer and usually the world's third largest exporter, will virtually cease exports, except for small amounts to neighboring countries. About 2 million tons in imports will be needed, marking the first time in 31 years that South Africa will be a net importer of corn. The current estimate of the 1983 crop is only 4.39 million tons, down by nearly half from last year's drought-damaged crop and by more than two-thirds from the record 14.6 million tons of 2 years ago.

With area estimated down only about 6 percent from that of the record 1981 crop, corn yields, at about 15.5 bushels per planted acre, will be the lowest since 1964. This will mean large losses for farmers, with more than half already in arrears on their payments on loans from cooperatives. The Government is increasing financial assistance to the agricultural sector, including subsidized credit, transportation, and feeds. Malnutrition is becoming very severe in the black homelands, especially among children, and some drought-relief allocations of food, safe water, and feed are being made.

The drought has also seriously depressed oilseed and dry bean production. Sunflowerseed yields were low, and output will only total about 200,000 tons. With small crops of soybeans and peanuts, South Africa could see record oilseed imports, in contrast to the normal export position. The output of dry beans is estimated at only 33,000 tons, the lowest since the late 1940's, and imports may exceed production. South Africa is also in a deficit position for grain sorghum, with production estimated at only 192,000 tons, the lowest in 21 years.

Grain Deficits Mark Region

With the exception of Malawi, all Southern African countries suffered large reductions in corn production, and most will be in need of food aid. Mozambique will have a large grain deficit, with total crop failures in much of the southern areas. Even irrigated rice output has faltered because of low river levels. Widespread insurgent activities have also hampered agriculture and distribution of food supplies. Corn import needs are estimated at 300,000 tons, at least.

Poor weather hit parts of Zambia, and corn imports exceeding 200,000 tons are likely. The Shaba region of Zaire, though not in the drought area, is usually supplied with corn by South Africa and Zimbabwe. To meet its needs of 170,000 tons, Zaire may also have to import from overseas. Botswana, Lesotho, and Swaziland are very vulnerable to weather-induced problems because of low stocks and normal reliance on grain imports from South Africa. Lesotho, in particular, has limited commercial import capacity and food aid requirements could exceed 200,000 tons.

Zimbabwe's corn crop is estimated at just over 1 million tons, down 50 percent from last year. However, because of large stocks, imports will not be necessary, and exports will continue to fulfill commitments. Assuming exports of 250,000 tons, corn stocks—which began the year at 1.1 million tons—will be drawn down close to the minimum acceptable level of 250,000 tons.

Tobacco, cotton, and oilseed production in Zimbabwe will be marginally above last year's crops. However, a large vegetable oil deficit exists in the face of strong demand, so imports of up to 20,000 tons will be required. A shortage of irrigation water will also reduce wheat production, with preliminary estimates of the 1983 crop down by at least half, to 100,000 tons. This implies import requirements exceeding 120,000 tons.

United States To Be Major Grain Supplier

The United States will likely supply a large share of South Africa's corn and oilseed imports. However, competition from other sources, such as Argentina, is expected. The chances of making large commercial sales to the other countries of the region are small, but requests for American food aid will increase. Emergency assistance for Mozambique and Zambia has already been approved. U.S. food aid to the region mainly consists of wheat, rice, vegetable oil, and corn.

Middle East Grain Output Up Slightly

Grain output in the Middle East this year is expected to be slightly higher than in 1982; production may increase in Iran and Iraq, but wheat output will decline in Turkey. Jordanian production, which was a dismal 15,000 tons last year, should recover this year, as should that of Israel.

Turkey's grain output, at 21.4 million, is estimated down 4 percent from 1982. In addition to the decline in wheat from the record 13.8 million tons produced in 1982, barley output, at 5.9 million tons, will be 100,000 lower than last year's record, reflecting a slightly smaller area and bad weather. Turkey's grain exports in 1982/83 total nearly 1 million tons, divided almost evenly between wheat and barley. Most shipments are to Iran, Iraq, Tunisia, Poland, and Cyprus. Turkey may not export or import any wheat in the next marketing year, but it will probably export some barley and wheat flour. However, if current moisture conditions prevail, the situation could change and result in substantial wheat imports.

Israel's grain production is estimated at over 200,000 tons, sharply higher than last year's drought-affected crop. Wheat imports will likely be about 500,000 tons, slightly lower than last year, all from the United States. Israel's import market for corn, which was partly lost to South Africa last year, should again be the domain of the United States because of South Africa's disastrous crop.

Iran's grain production will likely remain at the 1982 level, with 5.5 million tons of wheat, 1.2 million of barley, and 850,000 of milled rice. The grain area is estimated to have increased slightly because of high procurement prices, improved marketing, and greater use of tractors, but adverse weather may cause lower yields. Grain imports should remain in the vicinity of 4 million tons. Iraq's grain output is estimated slightly below the 2.7 million tons of 1982. The area in barley and rice declined slightly, and grain imports may reach a record of more than 3 million tons.

Saudi Arabian grain production may reach 800,000 tons, including 500,000 of wheat. Imports of wheat flour have been curtailed, while those of wheat are increasing. Saudi grain imports reached 4.6 million tons in 1982, but a reduction in the subsidy for imported barley may prevent further gains in 1983.

Syria's wheat crop should be at least 2 million tons, a 25-percent rebound from last year's low. Barley output will likely be 1.2 million tons, double the 1981 crop. Total wheat and flour imports on a wheat-equivalent basis may reach 700,000 tons in 1983. Syria has been developing its milling capacity and has been buying more

wheat than flour. Because of growing demand for feed, about 400,000 tons of corn will likely be imported, up from 225,000 in 1982. The United States may provide up to 100,000 tons of wheat and 170,000 of corn.

As a result of favorable weather, Jordan's 1983 wheat production should be about 100,000 tons, a fivefold increase from 1982's harvest. Government wheat imports are expected to reach 400,000 tons, part of which will be used in stock building. About 160,000 tons of corn and 40,000 tons of rice will be imported. The United States will likely provide the bulk of the wheat and corn.

Egyptian grain production may remain stable in 1983 following a 5-percent increase to 7.7 million tons in 1982, when land was shifted from cotton to corn and rice.

North African Crops Hurt by Drought

The wheat and barley harvests in the Maghreb countries of North Africa may be below average in 1983. Weather conditions have ranged from heavy rainfall to drought. In Morocco, excellent results in the north are expected to offset a poor performance in the South, and total grain output should be about 4.5 million tons. In Algeria, initially good prospects for the grain harvest vanished with the arrival of a spring drought. Wheat and barley output is expected to be less than 1.6 million tons. In Tunisia, continuous rain from October through early January, which hampered planting, was followed by drought in February and March. The grain crop is estimated at 1.03 million tons, down 14 percent from last year. In 1983/84, imports by the three countries are expected to be about 6 million tons of wheat, and 1 million of corn and barley. [*Michael E. Kurtzig (202) 475-3444*]

Latin America

General Economic Conditions Deteriorate

Latin America's economic condition continues to deteriorate. The region's GDP declined nearly 1 percent during 1982 and is forecast to drop another 2 or 3 percent in 1983. Most of the countries are affected, and many are also faced with serious foreign exchange shortages brought about by depressed world markets for their major exports. For many, imports and debt service continue to rise.

The Mexican economy is expected to contract for the second consecutive year as a result of the IMF austerity measures adopted when Mexico's external debt ballooned to $80 billion last year. The belt-tightening will result in the loss of hundreds of thousands of public-sector jobs and reduction or elimination of many of the production and consumption subsidies. Consumer purchasing power will be diminished further as wage increases fall behind the projected inflation rate of 95 percent. In terms of agricultural goods, per capita demand for most products will not grow and may even fall behind the 1982 level. The main force that will maintain growth in total food demand will be population increases.

Brazilian food consumption will be similarly restrained. Per capita income will decline sharply as the Government cuts spending, imposes import restrictions, and reduces producer and consumer subsidies in response to IMF-imposed austerity measures to cope with a foreign debt of $85 billion. Import demand will be further constrained by the devaluation of the cruzeiro to maintain price competitiveness in world markets. Internal inflation is expected to approach 100 percent this year.

Argentina is at present in a state of political uncertainty as it attempts to work out the transition to an elected civilian Government by January 1984. The economy contracted 5.7 percent in 1982, but the 2-year-old recession appears to have bottomed out; a growth of 1 to 2 percent is forecast for 1983. Consumer prices tripled in 1982 and are likely to fare substantially worse this year as the Government institutes public works projects to fight unemployment.

Agricultural Output Higher in 1983

Assuming normal weather, preliminary estimates indicate that 1983 farm output will rise in Latin America, but it will probably not get back to trend levels. Growth in farm output in Mexico could reach 4 percent this year, following 1982's drop of 5 percent. This would help to reduce imports in 1984. The major gains will likely be in crop production, which plunged 14 percent last year from a severe drought that devastated Mexico's coarse grain crop. However, the 1981 record will probably not be reached. Unseasonal rains restored Mexico's parched reservoirs to 50 percent of capacity last winter, assuring average yields for such irrigated crops as wheat, rice, soybeans, and winter vegetables. If normal rainfall occurs this summer, yields of corn, dry beans, and sorghum will be far above 1982 levels. Not much growth is expected in planted area, as producer discontent over the current cost-price squeeze continues.

In contrast to the anticipated rebound in the crop sector, Mexican livestock output is expected to decline after a 7-percent increase last year. At the same time, the country's financial crisis has eroded consumers' purchasing power, while prices of major inputs (many of which are imported) have skyrocketed.

Brazilian agricultural production could increase in 1983 and may rise as much as 6 percent from 1982's drought-reduced outturn. Soybean production could exceed 15 million tons—up 15 percent from 1982, a result of expanded area and near-record yields. Free of frost problems, coffee will recover to about 1.7 million tons—up 63 percent. Sugarcane and cocoa will increase a modest 2 to 3 percent, while oranges, facing a potential surplus, and tobacco, suffering from heavy rains, will be down slightly.

Compared with 7-percent growth in the livestock sector during 1982, the forecast of a 3- to 4-percent increase in 1983 seems weak. Large beef output in 1982 was the result of higher-than-normal slaughter; however, this is now giving way to the rebuilding phase of the cattle cycle. After a decade of rapid expansion in the poultry industry, weak Middle Eastern markets and competition from other exporters are reportedly forcing some of the larger firms to forego the replacement of worn-out equipment and to operate at less than full capacity.

In Argentina, agriculture accounts for about 15 percent of GDP and continues to be the strongest part of the economy. It was the only sector to show growth in 1982, and output is expected to increase by some 12 percent. Total grain output is forecast at a record 30.8 million tons, up 15 percent from 1982. Farmers have shifted extensive pastureland to grains, planting a record 17.6 million hectares.

Most of the pastureland was planted in wheat, which also took some land from corn because wheat prices

appeared more favorable. The wheat area is expected to yield a record 14.5 million tons, but coarse grains are forecast at 16.6 million tons, about 10 percent below 1982. The shift to wheat is due to the ability to double-crop with soybeans, thereby increasing output and profits.

This year, however, dry weather has impeded the growth of the first crop of soybeans and has caused much of the second crop of beans to be planted late. Thus, current projections place the outturn of soybeans at only 3.4 million tons, down 15 percent from last year. However, total oilseed production is forecast at 6.6 million tons, only slightly less than in 1982, because the sunflower harvest is heading for a record 2.1 million tons.

Argentine beef production is forecast to decline for the second consecutive year, to 2.4 million tons, as producers continue to rebuild herds. This drop, along with a softening of international meat prices, cast doubt on earlier export forecasts of 552,000 tons of beef for 1983. [*John Link (202) 447-8133*]

WORLD FOOD AND TRADE POLICY

Trade Actions

Wheat Flour 301 Case Decision

The three-member panel examining U.S. allegations that the EC had subsidized exports of wheat flour in violation of its obligations under the General Agreement on Tariffs and Trade (GATT) issued its findings March 4, 1983. The case was filed under the Subsidies Code of the GATT, and the panel's action takes the form of a nonbinding recommendation to the Subsidies Code Committee. The wheat flour case represents the oldest Section 301 case involving agriculture that the U.S. Trade Representative has pursued under the U.S. Trade Act of 1974. The case was filed by the U.S. Millers' National Federation in December 1975. The panel concluded that:

- EC export refunds are a subsidy subject under GATT Article XVI.
- EC wheat flour exports increased considerably, while the United States and other suppliers' world market shares of flour exports decreased during the period when EC subsidies were in use.

Nonetheless, the panel could not conclude either market displacement (as required by Article 10 of the Subsidies Code) in the 17 markets examined, or that the EC had gained "more than an equitable share" of world wheat flour trade as a result of the subsidies. The panel could not say conclusively that the export subsidies pushed EC flour prices "materially below" other suppliers' in the same markets, nor could the panel say that the subsidies resulted in any undue disturbance or reduced sales opportunities for U.S. flour trade.

However, the panel found it anomalous that the EC could become by far the largest world exporter of wheat flour, when without the use of export subsidies it would be in no position to export such substantial quantities. Therefore, the panel deemed it desirable for the EC to make greater effort to limit the use of subsidies on wheat flour exports.

The United States expressed dissatisfaction with the panel's conclusions, which, according to the U.S. viewpoint, fell short of a more forceful ruling against EC export subsidies.

Trade Agreements

U.S.-USSR Grain Consultations

The United States and the Soviet Union held their regular semiannual consultations under the U.S.-USSR Long Term Grain Agreement during March 24-25 in Moscow. The discussions centered around the potential for trade expansion in the light of reduced U.S. planted acreage. The Soviets indicated that they had already purchased the annual minimum 6 million tons of U.S. wheat and corn required by the agreement. The majority of Soviet imports from all origins during the current crop year have been wheat, rather than coarse grains, as it was in previous years. The original 5-year agreement is in its second 1-year extension, which will run until September 30, 1983. The USSR accepted on May 16 a U.S. offer to begin discussions on a new long-term grain agreement, announced by the President on April 22, 1983. Further semiannual consultations under the current agreement are proposed to take place in June.

Pakistan-Guinea Bissau Rice Agreement

Pakistan concluded a long-term agreement on April 20, 1983, with Guinea Bissau to supply rice during the next 3 years. Specific quantities of between 5,000 to 20,000 tons, as well as delivery and other shipment terms, will be negotiated each year. Although the type of rice was not mentioned, Guinea Bissau typically imports Sind variety IRRI rice, 40 to 45 percent broken.

Thailand-Senegal Rice Agreement

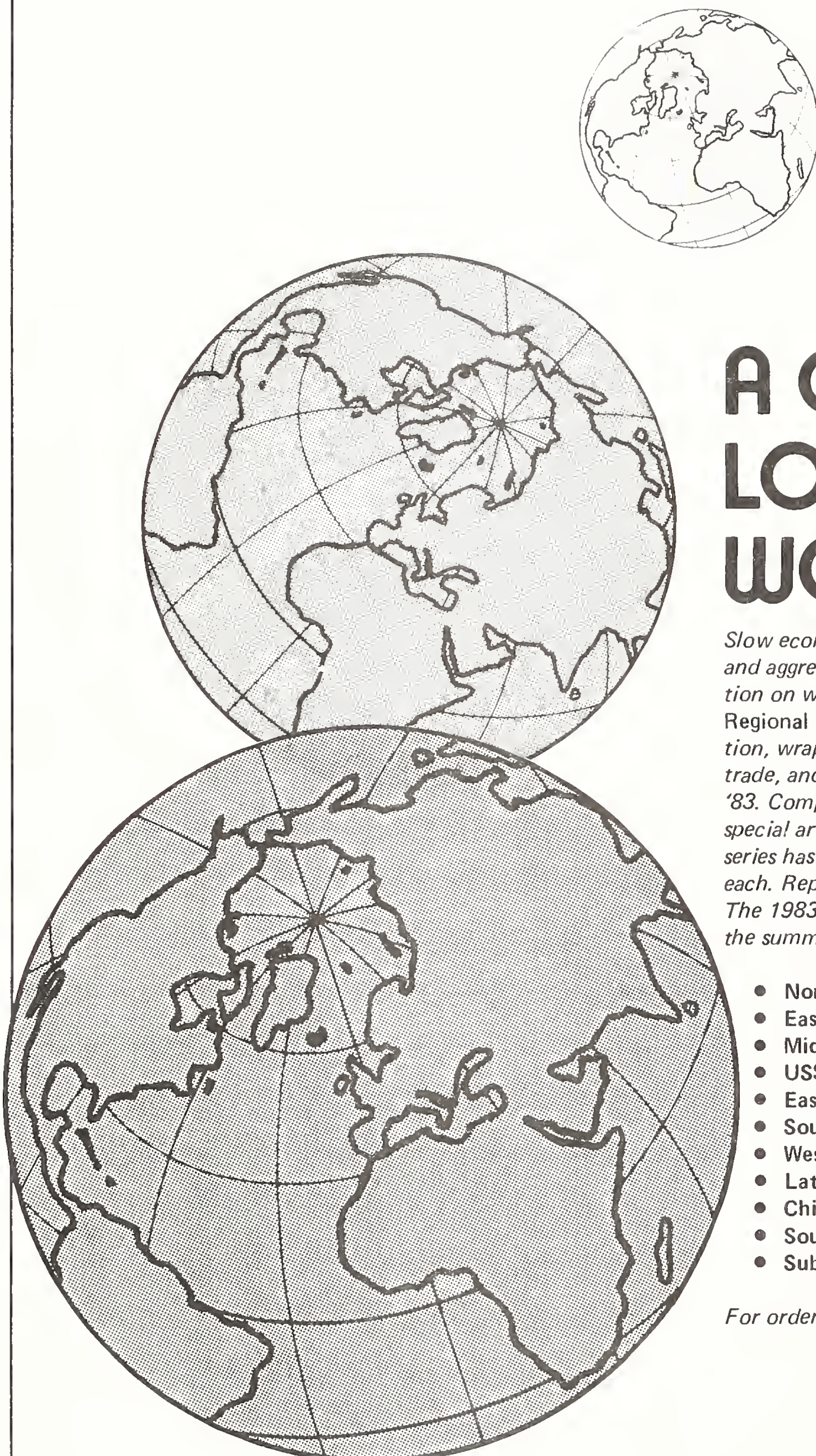
In February 1983, Thailand signed a 1-year agreement to supply Senegal with 360,000 tons of rice beginning April 1983. The initial price will be $171 dollars a ton, f.o.b., for 100-percent broken rice, delivered 30,000 tons a month, with the price to be renegotiated in Bangkok every 3 months. This agreement is the first fully government-to-government agreement that Senegal has signed with Thailand and does not employ a private Senegalese firm as intermediary, as did previous agreements.

Costa Rica-Israel Coffee Barter

Costa Rica signed a barter agreement with Israel on April 12, 1983, exchanging coffee for Israeli agrochemicals. The 440 tons (7,334 60-kilogram bags) of coffee traded will help reduce Costa Rica's large stocks that had accumulated during the past 2 years because of good harvests and reduced export quotas imposed by the International Coffee Organization.

Cuban Commercial Agreements

Cuba signed commercial agreements with the Soviet Union on February 16, and with Bulgaria on February 18, 1983. Cuba will send sugar, citrus, and nickel to the USSR in exchange for Soviet food, petroleum and oil products, fertilizer, steel plates, and small tools and equipment at 6,500 million rubles, 10 percent above the two countries' 1982 bilateral trade levels. Bulgaria will exchange food, toys, medicine, pesticides, perfume, camping equipment, and other consumer goods for Cuban sugar and citrus. The total value of this barter arrangement is 315 million rubles, 18 percent above 1982 bilateral trade levels. The agreements are intended to offer economic assistance to Cuba during a period of low world sugar prices. [*Edward C. Wilson (202) 447-8470*]



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